Austria Sch22	Indonesia ... Rp3100	Portugal Esc120
Bahrain ... Din0.650	Israel NS3.50	S.Arabia Rl7.00
Belgium BFr48	Italy L1700	Singapore ... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta145
Cyprus ...... C£0.90	Jordan Fils500	Sri Lanka Rup30
Denmark . DKr10.00	Kuwait Fils.500	Sweden SKr9.00
Egypt .... E£2.25	Lebanon .. $L125.00	Switz SFr2.30
Finland ... Fmk7.00	Lux LFr48	Taiwan ...... NT$85
France FFr6.50	Malaysia ... Rm4.25	Thailand Bht50
Germany ... DM2.30	Mexico Pes300	Tunisia Din0.800
Greece Dr120	Morocco Dh6.00	Turkey L600
Hong Kong... HK$12	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway ... Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,605 Tuesday August 2 1988 D 8523 A

INSIDE

MEXICO VOTE

Still everything left to play for

Page 4

World News

Carlucci urges switch in Soviet arms policy

The US would welcome "constructive change" in Soviet defence policy "when we see it manifested in concrete terms," Frank Carlucci, the US Defence Secretary, told Soviet general staff officers in Moscow.

He was speaking shortly after arriving in the Soviet Union for a four-day visit which will include talks with his counterpart, Dmitri Yazov.

This is the first time a US Defence Secretary has visited Moscow on his own account, and the first time he and the military advisers with him will have seen Soviet forces. Page 2

Kohl charge refused

West German prosecutors turned down a request by the radical Green party to investigate Chancellor Helmut Kohl, who has been accused by the Greens of lying before a special parliamentary committee.

Afghan POW offer

Afghan guerrilla leaders said yesterday that they would release two Soviet prisoners of war as a gesture of goodwill. Page 3

NZ crisis meeting

New Zealand's Labour Party Government, faced with a growing crisis over plans to sell the country's leading bank, said it was calling a special meeting of its MPs to discuss the issue. Page 3

Nova Scotia poll

After months of speculation, Mr John Buchanan, the longest-serving provincial premier in Canada, has said that voters in the east coast province of Nova Scotia will go to the polls on September 6. Page 4

Soweto sackings

The council running South Africa's biggest black township, Soweto, sacked 3,000 workers who failed to honour an agreement to return after a nine-day strike.

Rebels enter Sudan

Chad rebels confirmed that 2,000 of its guerrillas had crossed into western Sudan from Libya but stressed their intentions were peaceful.

Indian bribery probe

The Indian Government is investigating bribery allegations involving Japan's Sumitomo Corporation and associates of Premier Rajiv Gandhi.

Oporto bus crash

At least 10 people died and 40 were injured when a packed bus carrying building workers crashed on a motorway near Oporto, northern Portugal.

QE-2 delayed

Last night's departure of the liner QE-2 from Southampton to New York was postponed until today. A West German shipyard in Bremerhaven needed extra time for speed trials after fitting new propellers.

Peru guerrilla clash

Peruvian soldiers killed 14 Shining Path guerrillas in a recent clash and a military sentry in Lima was fatally wounded during a failed rebel attack, officials said.

Pentagon warned

The Congressional Budget Office said that the Pentagon would come under increasing pressure to cut back the size of its armed forces as it attempts to pay for its many expensive weapons systems.

Business Summary

Tokyo SE to launch Sankyo Seiki dealing probe

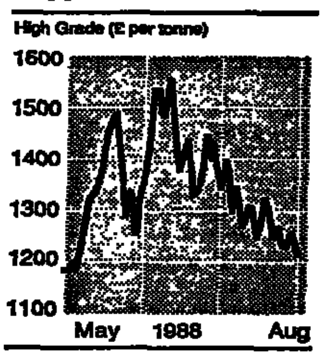
JAPAN: The Ministry of Finance is to launch the country's first insider trading investigation since the passage in May of a tough new regulatory code.

It has asked Tokyo Stock Exchange to probe trading in Sankyo Seiki Manufacturing, world's largest maker of musical boxes, after its shares rose steeply on Friday ahead of an announcement of a tie-up with Nippon Steel, Japan's biggest steelmaker. Page 15

GILLETTE, razor and consumer products company which has spent two years fighting the threat of takeover, seemed to have foiled an attempt by Coniston Partners, New York investment firm, to force the sale of the company. Page 15

COPPER: Copper prices fell through chart support levels on the LME as the market continued its decline in thin trading. Cash metal lost £37 to £1,215 – lowest closing price since early May – despite a lower-than-expected rise in LME warehouse stocks last week.

Copper



PHILIPS, Dutch-based electronics group, announced a further tightening of control over its North American Philips (NAPC) subsidiary, with the appointment of Gerrit Jeelof chairman aschief executive of NAPC, from September 1, replacing Cees Bruynes, chief executive since 1978. Page 17

BERNARD ARNAULT, chairman of Financière Agache, is about to reinforce his position in Moët Hennessy-Louis Vuitton LVMH, champagne, cognac and luxury goods conglomerate, still apparently suffering from internal rifts. Page 17

WESSANEN, Dutch foods processor and distributor, acquired two distributors of health foods products in the US, Gourmet Foods, of St Paul, Minnesota, and Award Foods of Dallas, for an undisclosed price. Page 16

GOULD, US computer and electronic products group, saw second-quarter earnings decline with lower results from its electronic systems and higher net interest expenses. Page 16

ALBA, consumer electronics group, moved to secure a pre-1992 presence in Continental Europe with the acquisition of 96 per cent of its French distributor, Telectrodis SA for an initial cash consideration of FFr11.5m ($1.8m). Page 16

PROVIGO, Canada's second largest food distributor after the Weston group's Loblaw, is buying 15 northern California supermarkets from Lucky Stores for and undisclosed price estimated to be about US$30m. Page 16

SULZER, Swiss equipment company, is pushing into the US pump market, following its purchase of Bingham International, a large US pump manufacturer. Page 17

Commission blocks GC&C bid for Irish Distillers

David Buchan in Brussels and Clair Pearson in London

THE EUROPEAN Commission has intervened in the IR£200m ($288m) takeover struggle for Irish Distillers by giving the GC&C Brands consortium of Grand Metropolitan, Allied Lyons, and Guinness two weeks to modify its bid or face a mandatory suspension of all further share-buying in the Irish group.

This is the first time that the Commission has intervened, on competition grounds, before a takeover or merger has actually taken place. The move comes against the background of the Commission's request to EC member states to allow it an automatic right to vet large Community-scale mergers in advance.

The Commission complains that the three drinks groups have contravened EC competition rules by mounting a joint bid through the consortium for Irish Distillers shares and by announcing they intend to carve up Irish Distillers' markets before even gaining control of the Irish company.

In a formal "statement of objections" sent to GC&C on Friday, the Commission gave the consortium two weeks to answer its complaints. In the meantime, Brussels has asked GC&C to cease buying shares in the Irish company, unless such share purchases "are specifically made conditional to the approval of the takeover bid by the Commission." If the Commission finds GC&C's reply unsatisfactory, it has warned it will make its request about the cessation of share buying a mandatory injunction.

GC&C Brands, which launched the bid on May 30 this year, was last night discussing the EC's objections along with its advisers. A spokesman said it had not decided what action to take.

Irish Distillers, which was informed of the EC's conclusions at the weekend, yesterday would say only that it was "encouraged" by the EC's move.

The company had immediately rejected the bid, which it said was "an attempt to break up the Irish whiskey industry, whereby famous brands like Jameson, Powers, Paddy and Bushmills would end up in the hands of multi-national companies, where they would be dominated by a wide variety of much larger brands." It has also sought to appeal to shareholders on Irish nationalistic grounds with the slogan "Keep the Irish in Whiskey".

At the first closing date for acceptances last month, GC&C seemed to be making little headway. It had received acceptances from just 20.21 per cent of shareholders, having started off with a commitment of support from FII Fyffes, a 20 per cent shareholder, the Dublin fruit and vegetable merchant.

The second closing date for acceptances is next Monday, while GC&C has only till the following Friday to improve the terms of its bid.

The Commission's action is chiefly directed at the way in which the hostile bid for Irish Distillers has been conducted. It complains that the three drinks companies have not "competed" with each other to buy the Irish group, but have instead frustrated the normal laws of competiton by launching a joint bid through their GC&C consortium. Equally, it regards the announcement by the three companies on the way they would share Irish Distillers' brands of spirits as a restraint on competiton.

The Commission believes that by jointly acquiring Irish Distillers, the three companies would enlarge and intensify an oligopolistic hold on the European market. "They already have a good part of the whole

Continued on Page 14
Background, Page 15

Argentina shuts banks on eve of economic package

By Gary Mead in Buenos Aires

ARGENTINA's banks were shut yesterday as the Government prepared today's announcement of a new economic package aimed at bolstering foreign confidence in the country's faltering economy.

Argentina is on the brink of a fresh "war against inflation", said Mr Jose Lopez, the presidential press spokesman. Inflation was running at 18 per cent in June. Figures for July which are due on Friday are expected to show inflation has risen to 23 per cent.

The unscheduled two-day bank holiday was sprung on the Argentine public late on Sunday evening. It was designed to halt financial speculation before official announcement of the new package.

The economic changes now being considered are tied to the Government's hope of signing an agreement for a new stand-by loan from the International Monetary Fund. Argentina hopes the agreement which will bring it $1.2bn in fresh money while unblocking disbursement of more than $400m outstanding from an accord signed a year ago.

An Argentine delegation returned from Washington at the weekend after talks with the IMF on the country's inability to meet interest payments on its foreign debt of $56bn. These payments are nearly $5bn this year and Argentine officials have said the country cannot pay.

Despite local Argentine reports that an agreement has been reached on a new loan from the IMF, no official announcement to that effect has been made. It is believed that any new agreement hangs on the success of the planned economic changes.

Structural changes under consideration by the Argentine Government are thought to fall into five key areas:

- Closing the gap between the commercial and financial, or free-market rates of exchange of the Argentine currency, the austral;
- A devaluation of the austral by as much as 10 per cent;
- Tightening monetary policy, implementing credit controls and permitting interest rates to climb. At the same time public sector spending would be dramatically cut;
- A wage and price freeze;
- Removal of tariff controls over a range of imports; placing manufactured exports on a financial or free-market exchange basis; and keeping agricultural exports on the commercial, lower rate of exchange.

The attempt to impose a price-wage freeze could meet stern opposition from the General Confederation of Labour.

Equador debt warning, Page 4

Soviet trade imbalance with partners strains Comecon

By Leslie Colitt in Berlin

SERIOUS strains are surfacing in Comecon, the Soviet-led trading bloc, over Moscow's growing trade imbalance with its partners.

The drop in Moscow's export earnings, caused by lower prices for oil, gas and other raw materials, has limited its ability to import East European products, and the smaller Comecon countries have had difficulty finding other markets for their goods.

Hungary is expected to run a surplus of up to 900m roubles ($1.46bn) with its Comecon partners this year, most of it accounted for by trade with Moscow.

Hungarian exports to the Soviet Union worth 400m roubles recently had to be cancelled because Moscow was unable to provide goods Budapest wanted.

Attempts by the East Europeans to obtain larger amounts of oil and gas have been rejected by Moscow. Instead the Soviet Union is selling all its surplus energy supplies to the West to make up for its own falling return on fuel exports.

Comecon members cannot take advantage of a trade surplus in their dealings within one another to buy goods from a third country because trade within the bloc is conducted on the basis of barter and there is no convertible currency. In effect a surplus amounts to an outstanding loan.

Moscow recently reduced its contracted newsprint deliveries to Hungary and other East European states, citing the closure on environmental grounds of four pulp mills. As a result other Comecon states have had to use their precious hard currency reserves to buy newsprint from the West.

While Hungarian officials have spoken with relative bluntness about their problems with Moscow, references by other East European leaders have been more oblique.

Mr Jozsef Marjai, Hungary's deputy Premier and Minister of Trade, said recently that Budapest could not open lines of credit to its socialist partners.

Budapest has also complained about the pile-up of 5,000 wagon loads of Hungarian goods at the Soviet border. Mr Lajos Urban, Transport Minister, said the situation at the frontier had never been so critical.

Kohl learns to relax, Page 2

China's Politburo 'clashes on economic policy'

By Our Foreign Staff

SERIOUS disagreement over China's economic policy has emerged at the annual meeting of the Politburo, according to reports reaching Peking.

Leaders meeting at the seaside retreat of Beidahe seem to be having trouble agreeing on the country's future economic direction.

According to one account a number of officials opted to leave the annual Politburo meeting early because of unresolved differences.

Confirmation of the unexpected end to the Beidahe meeting, which began on July 20, has appeared in the well informed left-wing Hong Kong newspaper Wen Wei Bao.

The seaside meeting usually lasted until August 5, Wen Wei Bao said. It added that the early end and lack of decisions did not mean that reform policy was finished, but its report indicates growing dissent over policy at the highest levels.

The most contentious issue appears to have been whether price reform should, or will inevitably, erode state ownership, a central plank in China's ideology.

Zhao Ziyang, General Secretary of the Communist Party, stressed publicly at the weekend, however, that economic reform would not threaten public ownership.

Reuter adds from Peking: China has cleared the way for what would be the first sale of state companies to foreigners, in an attempt to revive ailing industries.

The official People's Daily newspaper said yesterday that the north eastern province of Liaoning wanted to sell off 33 small and medium-sized state companies to foreign buyers.

The companies were not identified, beyond being described as petrochemical, electronic and light industrial units. The report did not say when they might be sold.

The newspaper said, without naming companies, that many industries in the province were in difficulties and need to buy expensive equipment to stay competitive.

Western diplomats said the prospect of such a sale was significant, but that foreign buyers were unlikely to be tempted.

"I don't know how much interest there will be," said one, "but this is an important point in principle."

China has already sold state businesses, mostly small-scale, to individuals, as part of a broad programme of reforms.

Iraq 'made use of mustard gas against Iran'

By Andrew Gowers, Middle East Editor, in New York

THE UN yesterday unveiled strong evidence that Iraq has recently stepped up its use of chemical bombs containing mustard gas and other substances against Iranian forces in defiance of repeated Security Council resolutions.

A report from medical experts conducted in Iran in early July and published by Mr Javier Perez de Cuellar, the UN Secretary-General, concluded that "bombs similar to those used in 1984, 1986 and 1987 have again been used against Iranian forces on Iranian territory, indicating their repeated utilisation by Iraqi forces," and that "such use has become more intense and frequent."

The team found 36 cases of people with symptoms of exposure to yperite (mustard gas) in the southern town of Ahwaz and the western provincial capital of Bakhtaran.

A shorter study by a separate team in Iraq found evidence of relatively minor injuries caused by mustard gas but, significantly, did not endorse Iraqi allegations that this resulted from Iranian chemical attacks.

The two reports amount to the UN's most damning indictment of Iraq's use of chemical weapons. They seemed likely to inject further tension into the separate and increasingly difficult talks which Mr Perez de Cuellar is holding with the Iraqi and Iranian Foreign Ministers in New York on a ceasefire in the Gulf war.

The report on Iraqi use of chemical weapons was immediately seized on by Mr Mohammad Jaafar Mahallati, Iran's UN ambassador, who called on the Security Council to take "punitive and preventive" measures against Iraq on the issue, which he emphasised was "independent" from the question of a ceasefire.

With the Gulf war apparently in its final phase, Security Council members are keen to dispel the impression that Iraq has used chemical weapons - outlawed since 1925 - with impunity to win military advantage over Iran.

Iraq recently admitted using chemical weapons, but said this was in response to Iranian chemical attacks, a caveat which seemed designed to ensure that Baghdad is not seen to have violated the Geneva Protocol which outlaws their first use. Although Iran has said it can make chemical weapons, UN inquiries have been unable to find evidence that it has used them.

It was not clear how the report would affect the ceasefire talks, which were due to resume last night with a sixth meeting in less than a week between Mr Perez de Cuellar and Mr Ali Akbar Velayati, Iran's Foreign Minister.

The Security Council has been anxious to avoid any action which might derail the talks. But with Iraq refusing to contemplate a ceasefire until Iran agrees to face-to-face talks at foreign minister level, the chemical weapons report may move the Council to step up pressure on Baghdad.

Jordan 'must take role in West Bank'

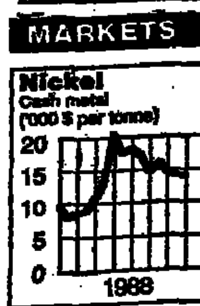
By Andrew Gowers in New York

US OFFICIALS yesterday played down the significance of King Hussein's relinquishment of Jordan's responsibility for the Israeli-occupied West Bank, claiming it may be a tactical move designed to put pressure on the Palestine Liberation Organisation, rather than a fundamental shift which would leave US peace plans in disarray.

Mr Richard Murphy, the US Assistant Secretary of State, will have a chance to assess the move first hand when he

Continued on Page 14
Background, Page 14

MARKETS



INTEREST RATES
US lunchtime
Federal Funds 7[illegible]% (7⅞)
3-mth Treasury Bills: yield: 7.11% (7.18)
Long Bond: 99[illegible] (99⅛)
yield: 9.18 (9.2)
London
3-month interbank: close 10[illegible] (10⅞)

STERLING
New York
$ 1.7115 (1.71)
London:
$ 1.7135 (1.7105)
DM 3.2150 (3.2075)
FFr 10.8425 (10.8075)
SFr 2.675 (2.67)
Y 227.5 (same)

DOLLAR
New York lunchtime
DM 1.87875 (1.8795)
FFr 6.3275 (6.3334)
SFr 1.5645 (1.564)
Y132.825 (133.2)
London:
DM 1.8765 (1.8750)
FFr 6.3275 (6.3175)
SFr 1.5615 (same)
Y132.75 (133.05)

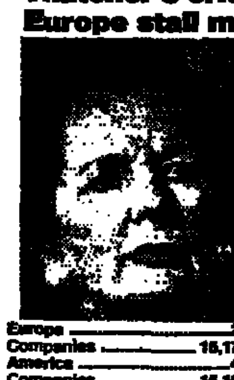
GOLD
New York lunchtime: Comex Dec $445.3 (447.3)
London: $433.95 (435.75)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av. 2129.98 (+1.25)
S&P Comp 272.11 (+0.09)
London:
FT-SE 100 1862.2 (+8.6)
World: 128.50 (Fri)
Tokyo
Nikkei Ave 28,328.31 (+128.37)
Frankfurt
Commerzbank 1491.9 (+14.0)

OIL
Brent 15-day (Argus) $ 15.645 (-0.105)
West Tex Crude $ 16.185 (-0.065)

CONTENTS

Thatcher's criticisms of united Europe stall moves for change



Mrs Thatcher's recent remarks on a united Europe have again underlined her view on the limitations of this policy. Such lack of enthusiasm loses Britain friends in Europe and stalls the momentum for change Page 13

Carlucci urges Soviet defence policy switch

By John Lloyd in Moscow

THE United States would welcome "constructive change" in Soviet defence policy "when we see it manifested in concrete terms," Mr Frank Carlucci, the US Defence Secretary, told Soviet general staff officers yesterday.

He was speaking at the General Staff Academy shortly after his arrival in Moscow for a four-day visit which will include talks with his opposite number, Mr Dmitri Yazov, and visits to the Kubinka military airfield near Moscow, troops attached to the Tuman division, and naval facilities at Sebastopol.

This will be the first time a US Defence Secretary has visited Moscow on his own account, and the first time he and the military advisers with him will have seen Soviet forces.

Mr Carlucci used his speech to express US concerns about central aspects of Soviet military doctrine and practice. He said that while the Soviet Defence Minister had expressed himself "willing – indeed anxious" to discuss a shift in Soviet doctrine to a defensive posture, there remained an emphasis on offensive strategies, especially those of surprise and manoeuvre.

"We also have difficulty in reconciling the USSR's pledge not to be the first to use nuclear weapons with your continuing emphasis on heavy intercontinental ballistic missiles, such as the SS-18. These missiles, in our view, are best suited for a first strike against US silo-based systems – a capability more compatible with a military doctrine that emphasises pre-emptive nuclear strikes."

He said that Soviet demands that the US reduce its naval forces were unrealistic, since the US was "an island nation, not fully self-sufficient in resources" – in contrast to the "land power, virtually self-sufficient" Soviet Union.

"Asking the US to cut back its naval capabilities would be similar to asking the USSR to tear up its road system and railways: given our geopolitical circumstances, neither of us could afford to cut these vital lifelines."

Mr Carlucci defended the development of the Strategic Defence Initiative (Star Wars) concept which is still a lurking barrier to further arms agreement between the two blocs, and which Mr Michael Dukakis, the US Democratic presidential candidate, has promised to downgrade in favour of conventional weapons development.

It was in many respects similar to the Soviet SDI, he said, and that "it is purely defensive, and does not represent the slightest threat to the USSR. It is designed for one purpose only: to develop systems that can destroy missiles launched against US."

The Defence Secretary, who began his speech with a section which underscored the virtues of a democracy as being those of freedom and openness, called for the Soviet defence budget to be made as public as that of the US.

He said that US estimates of Soviet military output put it at between 15 and 17 per cent of gross national product – far more than the US's 5.7 per cent, even allowing for the latter's greater national wealth.

He admitted that the US held the technological edge in many areas and added that "we have every intention of further enhancing our technological capabilities."

He concluded, however, by saying that the progress made in arms agreements between the two powers represented "an opportunity to proceed, on the basis of realism and reciprocity, to ease tensions and build better relations."

Mr Carlucci inspects troops with Gen Yazov on his arrival at Moscow.

Italians respect their new speed laws

By John Wyles in Rome

ITALIANS LARGELY completed their annual motorised holiday migration last night having magnificently justified a road safety "experiment" which cynics had affirmed would be much more widely honoured in the breach than in the observance.

Early statistics suggest that more Italians escaped death and injury on the nation's overcrowded roads and autostrada over the last weekend than in previous years, thanks to the introduction nine days ago of a 110kph speed limit.

This, like any new restriction, was greeted with some complaint from members of the heavy-footed brigade who enjoy hurtling down Italy's obsolete four-lane motorways in their Ferraris, Mercedes and Lancia Themas in excess of 160kph.

Some scepticism about the new limit was, however, in order. There was after all an old motorway limit of 140kph which never seemed to be enforced. But to coincide with the initiative – which runs until September 11 – the Government has deployed about 300 radar machines which photograph the numberplate of any vehicle crashing through the beam above the legal speed.

Clearly, compliance has not been universal and the authorities announced yesterday that 15,000 speeding fines would be imposed as a result of the weekend's infractions out of 27,000 for an entire five-week period.

But a journey from Florence to Rome yesterday revealed that for the moment, the new speed law is one which the vast majority of Italian drivers chooses to respect.

When, in a spirit of social inquiry, this correspondent pushed his Ford Sierra above the legal limit for a distance of several kilometres, none of the usual Ferraris, Lancias and Mercedes loomed up behind with lights flashing at a distance of only a few inches

But, perhaps, the boredom involved at travelling at much less than their customary speeds can bring dangers through inattention.

Many drivers seem to assume that everyone was behaving themselves and that, therefore, little reference needed to be made to the rear-view mirror. Nevertheless, according to statistics released yesterday, road accident deaths over the previous five days had fallen to 396 from 430.

It now remains to be seen whether this good behaviour can be maintained until September 11 and whether the Government will then aim for a consistent application of speed limits.

Le Pen call puts French political right on the spot

By Paul Betts in Paris

THE FRENCH National Front leader, Mr Jean-Marie Le Pen, has taken advantage of the summer political lull in France to jump back into the limelight and embarrass once again the traditional parties of the right.

Mr Le Pen proposed at the weekend that the Gaullist RPR and centrist UDF parties join forces with his extreme right-wing Front in next year's municipal elections by presenting common lists of candidates. He also suggested that he should lead the right-wing opposition list in Marseilles since he won more votes there than either the UDF or the RPR in the recent legislative elections.

By speaking out on the highly sensitive issue of electoral alliances between the National Front and the traditional right, Mr Le Pen clearly intends to keep the pressure on the RPR and the UDF by trying to force them to take notice of his party and negotiate electoral deals.

Although the Front was left with only one parliamentary seat in the last legislative elections because of the French majority voting system, Mr Le Pen's party continues to command significant support in several parts of the country, especially in the south in cities like Marseilles with large immigrant populations.

Recent regional council elections in Bordeaux and Champagne-Ardenne were both won by the traditional right thanks to the votes of the National Front, providing an eloquent if uncomfortable reminder for the RPR and UDF that the Front problem had not disappeared after the legislative elections last June.

Mr Le Pen's call for common lists of candidates also comes barely a few days after Mr Jacques Chirac, the RPR leader, and former President Valéry Giscard d'Estaing, who has assumed the leadership of the UDF, met in great pomp in Paris to try to put together a credible opposition to President François Mitterrand. However, the two men skirted round the highly delicate and crucial issue of the right's attitude to the National Front.

In the past, both the RPR and UDF have agreed to do deals at a local political level with the Front while stating in public that they were firmly opposed to any national alliance. Many centrists have now warned that they would consider voting in favour of a Socialist candidate in local elections if the right-wing candidate were involved in an electoral pact with the Front.

Both the RPR and UDF will clearly have to address the issue as next spring's municipal elections approach followed by the European elections next summer.

In the meantime, Mr Le Pen is expected to continue intensifying the pressure. Already, he has indicated he will call on his supporters to vote against the proposed referendum on New Caledonia next autumn which he hopes will offer him an occasion to make a noisy political comeback after the National Front's poor showing in last June's legislative elections.

Soviet Union in diplomatic tie with Qatar

THE Gulf state of Qatar and the Soviet Union established diplomatic ties yesterday, the official Qatari News Agency (QNA) said, Reuter reports.

A joint Qatari-Soviet statement, received in Bahrain, said the decision reflected the wish of both states to boost friendship and co-operation.

The statement said the two countries would exchange ambassadors soon.

The move came amid strained relations between Qatar and the US caused by the Gulf state's acquisition of a dozen US-made Stinger anti-aircraft missiles, of which Qatar refused to reveal the source.

Washington said on Friday it would not entertain any proposals by Qatar, normally pro-Western, for the purchase of US weapons unless it returned the missiles.

The existence of the missiles was first disclosed when Qatar displayed them in a military parade last March.

Qatar is the fourth Gulf state to establish ties with the Soviet Union. The others are Kuwait, Oman and the United Arab Emirates.

Soviet diplomats have recently visited Saudi Arabia and Bahrain for talks with senior officials but no steps towards establishing diplomatic ties were announced.

Athens-Belgrade irrigation row

GREECE has protested over Yugoslavia's alleged refusal to supply water needed for the irrigation of its drought stricken northern plains, the government spokesman said yesterday, AP reports from Athens.

"The Greek ambassador to Belgrade, Emmanuel Spyridakis, has made repeated demarches to the Yugoslav foreign undersecretary over the issue," Mr Sotiris Kostopoulos, government spokesman, told reporters.

He said similar protests had been filed with Yugoslavia's ambassador to Greece, Mr Vladimir Sultanovic, who had been "repeatedly summoned" to the Foreign Ministry.

Mr Kostopoulos did not explain why Yugoslavia was holding back the water.

Mr Kostopoulos said the protests contained Greece's request "for the immediate supply of water from Yugoslav surpluses, which currently amount to 60m cubic meters."

Greece is asking its northern neighbour to pump at least 10m cubic meters more down the Vardar river, known also as the Axios, which will raise the water level to cover its irrigation needs.

Lack of rain over the past year has considerably lowered the Axios River's water level, used to irrigate more than 33,000 acres of rice fields and 43,000 acres of farmland, said an Agriculture Ministry official, speaking on condition of anonymity.

The official said the river had to supply water at a rate of 22 cubic meters per second to meet farmers demands.

Water has currently been flowing at a rate of 19 cubic meters per second.

Mr Kostopoulos said Yugoslavia had agreed to pump water into the river from Lake Doiran on the Greek-Yugoslav border, which "however, does not solve the irrigation problem."

On Saturday, Greek Deputy Foreign Minister Theodoros Pangalos described Yugoslavia's alleged refusal as "unacceptable behaviour."

"No civilised nation behaves in such a manner. In a period of floods and drought even enemies offer assistance. We consider the Yugoslavs as our friends," he said.

Hungary lifts kitchen equipment prices

THE PRICE of kitchen equipment such as refrigerators and ovens went up yesterday by between 4 per cent and 12 per cent, the official Hungarian news agency MTI said, AP reports from Budapest.

The news agency, citing the higher cost of imported and domesticly produced materials, said the price of refrigerators went up by between 4 per cent and 5 per cent and the price of freezers rose by between 7.7 per cent and 12 per cent.

The the price of gas and electric ovens rose by between 7.8 per cent and 9.1 per cent.

Last week the price of gasoline went up by between 8 per cent and 10 per cent.

The inflation rate in debt-ridden Hungary has already exceeded the 15 per cent level planned for this year and is likely to be closer to 17 per cent, officials have said.

Earlier this month MTI reported that consumers had begun buying cheaper Soviet- and Czechoslovak-made appliances following the introduction at the beginning of this year of personal income and value-added taxes.

The taxes are part of a government austerity programme designed to help stimulate the country's stagnating economy and reduce the $17bn gross debt.

W German ship's radioactive cargo

A West German ship cruising the Black Sea in search of a port is carrying slightly radioactive building rubble taken on board in Vienna in May, the Austrian Foreign Ministry said, Reuter reports from Vienna.

Reform opposed

Most people in Yugoslavia oppose the government's economic reforms to free markets, the official news agency Tanjug said, Reuter reports from Belgrade. They also oppose the Government's austerity program aimed at slowing the 189 per cent inflation rate.

More Jews leave

Jewish emigration from the Soviet Union continued to increase in July but departures of Soviet Armenians fell, the Intergovernmental Committee on Migration (ICM) said, Reuter reports from Geneva.

In July, 1,639 Jews arrived in Vienna, the main processing centre, up from 1,470 in June.

East bloc exercises

Up to 14,500 Soviet and East German troops will hold joint exercises for six days in East Germany next week, the official ADN news agency said, Reuter reports from east Berlin. The two forces finished similar manoeuvres last week.

Church-state dispute over schools flares in Malta

By Godfrey Grima in Valletta

MALTA'S Roman Catholic church, whose schools educate a third of the island's pupils, has expressed serious reservations about legislation on education which was enacted last week by the Christian Democratic Government of Mr Eddie Fenech Adami.

The church is unhappy about a new procedure for licensing its schools, and, according to a statement issued by bishops over the weekend, it considers that the state is retaining excessively strong supervisory powers over religious education.

The Education Minister issued a rebuttal of the bishops' complaints, saying that state surveillance of church schools was reasonable, and that the authorities needed to be sure that their money was being put to effective use.

A bitter feud between the church hierarchy and the previous Labour administration – in which the Government complained about the church's insistence on charging fees – ended three years ago with a compromise under which the religious authorities provided free secondary schooling with partial funding from the state.

At the height of the 1985 dispute, relations between the then Socialist Government and the hierarchy became so acrimonious that the authorities seized church property, a move which was eventually declared unconstitutional by the courts.

While the current argument is being conducted in a less bombastic manner, it shows that the Dr Fenech Adami's Nationalists share some of their predecessors' concern about how taxpayers' money is being spent in church schools.

Kohl learns to relax in the warm breeze now blowing from Moscow

David Marsh begins a series by FT correspondents on the relationship between West Germany and the countries of Eastern Europe

MR Helmut Kohl, the West German Chancellor, has decided to give Mr Mikhail Gorbachev the benefit of the doubt.

The change of emphasis during an intense phase of preparations for the Chancellor's visit to Moscow in October marks the resurfacing of a traditional West German strategy of building political rapprochement with Russia on the back of economic and trade ties. It is a move which the Federal Republic's western allies are hoping will not get out of hand.

In October 1986 Mr Kohl caused a diplomatic stir, exploited by Moscow to cause the Chancellor maximum embarrassment, by comparing Mr Gorbachev's public relations skills with those of Joseph Goebbels.

At the beginning of this year, Mr Kohl's comments about the Soviet reforms were still predominantly sceptical.

Lately, however, with opinion polls regularly showing immense support for Mr Gorbachev from the West German population, Mr Kohl seems to have been persuaded by Mr Hans-Dietrich Genscher, his Foreign Minister, just returned from Moscow, to take a much more constructive view of changes in the Kremlin.

At a press conference in Bonn two weeks ago he threw his weight behind West German economic help for the Soviet Union as a means of contributing to an "irreversible" improvement in East-West relations. Both Bonn and Moscow want to breathe new life into bilateral trade which has fallen in the last few years.

Mr Kohl emphasised the importance that economic issues will play, along with talks on disarmament and the environment, in his autumn Moscow visit.

In an apparent reaction to recent US moves to veto West German electronics export deals to the East bloc, he called in unusually blunt terms for a loosening of East-West technology transfer controls drawn up by the Paris-based CoCom organisation.

There is a strong belief in West Germany that trade and technology ties can be used as an implicit means of winning concessions from the Soviet bloc on issues ranging from human rights and disarmament to reductions in air and water pollution.

Mr Genscher, in his first official speech in East Germany in June, called for East-West economic and technological co-operation "on an equal footing" as a means of "preserving peaceful, stable conditions."

Underlining the memories of previous eras of collaboration – both with Czarist Russia and with the new Soviet state in the 1920s – he said: "We want to reactivate the once so varied and fruitful bonds between Germans and Russians."

Because of history and geography, the list of West Germany's requirements from the East bloc is far wider than for other West European partners. And, as by far the largest western trading partner of the Communist countries, it has more to offer.

To take one example preoccupying ministers, Bonn is particularly interested in the fate of German-origin citizens from the Soviet Union and other eastern European countries. A total of 160,000 of these people – the highest figure since 1950 – is likely to be allowed to emigrate this year to the Federal Republic. The Bonn Government believes that on such delicate human issues, economic links can act as a lever.

Prof Michael Stuermer, head of Stiftung Wissenschaft und Politik, the foreign policy think-tank which is largely financed by the Bonn Government, says: "We want to have certain things from them (the Soviet bloc). Our arguments are not nuclear weapons, but all the things they badly need – technology, finance and consumer goods."

Prof Stuermer, who believes that West Germany can start a new constructive phase with eastern Europe only from a position of "irreversible" integration with the West, says the new relationship with the East should be "competitive but not antagonistic." He says there is room for a system of trade-offs, along similar lines to the informal deal in 1983

West Germany is particularly anxious to use the warmer breeze from Moscow to help push through a new round of East-West talks on reducing the Warsaw Pact's conventional forces. It also knows that Moscow holds the key to efforts to maintain a delicate balancing act with East Germany.

A crucial political objective is to maintain a neighbourly dialogue with East Berlin, while at the same time keeping alive the distant option of eventual reunification of the two states. Because of the vagueness of the vision, Mr Kohl has been grateful lately to accept Mr Gorbachev's formula indicating that the future of the two German states will be a matter for the next century to decide.

One of the most important sources of West German public support for bridge-building with the East bloc centres on popular concern over the environment.

The Federal Republic wants to offer its eastern neighbours, above all East Germany, technology and finance to clean up power stations, industrial plants and rivers which send pollutants into the West. An environmental co-operation accord is expected to be signed when Mr Kohl goes to Moscow in October.

Mr Kohl has also confirmed West Germany's readiness to collaborate with Moscow in improving post-Chernobyl safety standards at Soviet nuclear plants.

The two sides agreed to study five areas of future collaboration. West German officials last week pointedly said they did not think CoCom would be a hindrance.

One senior conservative West German diplomat says the West now has to treat the Soviet Union more as it does China

Many of the West German companies now looking to Moscow for business have no shortage of pedigree. It is a remarkable feature of its industrial continuity that most of the top 10 or 20 present-day companies – the likes of Daimler-Benz, Siemens, BASF, Bayer, Hoechst and Thyssen – were already doing business in electrical and mechanical engineering, chemicals and vehicles with Russia at the end of the last century.

Deutsche Bank, which also has strong links going back to the Czars, played a major role in financing Soviet capital goods purchases in the post-war detente which started under the Brandt government in 1969. In June the bank put together a DM3.5bn credit line to finance West German equipment purchases to modernise the Soviet consumer goods industry. The deal attracted immediate criticism from Mr Frank Carlucci, the US Defence Secretary, on the grounds that it would give Moscow more money for military resources and add to strains on the Pentagon budget.

Mr Kohl last month rejected as "a philosophy from the cold war" the view that too much western economic support for Moscow reforms could end up increasing the Soviet threat to the western alliance.

None the less West Germany faces a fundamental problem. On the Nato front-line, it receives the most immediate fruits of East-West detente – but also has to face the fall-out if perceptions of new Soviet benevolence move too far ahead of reality.

There are clear dangers that a gap could be opening up. Last year's superpower accord on eliminating medium-range nuclear missiles in Europe, coupled with the publicity given to glasnost and perestroika, has already contributed to an apparent marked weakening in West Germany's defence policy consensus.

This is manifested by a 17 per cent rise over the past year in the number of conscientious objectors to the conscript army, growing parliamentary hostility to increases in the defence budget and rising complaints from the public and politicians about low-flying exercises by Nato air forces.

Provided the Soviet leader, perhaps in the next few weeks, comes up with some convincing moves towards reducing the Warsaw Pact's troops and tanks superiority in eastern Europe, West German public sympathy for Mr Gorbachev may allow Mr Kohl to carry the day. Otherwise, the West German Chancellor will have to make sure that his Moscow journey does not leave him out in the cold.

HOW HELMUT KOHL has taken a warmer view of Mikhail Gorbachev's reform efforts:

"I am going (to the Soviet Union in October) with the intention of resuming the times of constructive co-operation in the long history of both peoples . . . and of contributing to making irreversible the present favourable trends between East and West." – *press conference, July 21, 1988.*

"In the four or five years to come, when one will see if Mr Gorbachev can carry out his reform policies, I think we will have good chances of improving our relations with the countries of the Warsaw Pact. But I have no illusions. Mr Gorbachev wants to reform the Soviet Union, but he does not want at all to modify the Communist system." – *interview with Le Monde, January 20, 1988.*

Moscow to press for European summit on conventional weapons

By John Lloyd in Moscow

THE Soviet Union intends to pursue a plan, first floated by Mr Mikhail Gorbachev on July 11 during a visit to Poland, for an all-European summit on conventional weapons, Soviet commentators said yesterday.

Their comments follow the visit to Moscow over the weekend by Mr Hans-Dietrich Genscher, the West German Foreign Minister. Mr Genscher, who met both Mr Gorbachev and Mr Eduard Shevardnadze, the Soviet Foreign Minister, was preparing the way for a visit by Mr Helmut Kohl, the Chancellor, in October. Mr Genscher said after his meetings with Soviet leaders that he was convinced the Soviet Union had no interest in splitting the Nato allies into European and North American blocs.

In the immediate aftermath of Mr Gorbachev's July speech to the Polish Parliament, Western commentators assumed that the pan-European meeting would exclude the US and Canada, and were correspondingly cool towards the idea. Since then, however, Soviet officials have sought to reassure the West that they do envisage the participation of Washington and Ottawa in any European meeting, and that they are not planning to split Nato.

In a front page article in Pravda yesterday, Mr Yuri Zhukov, a senior commentator, said the idea of a pan-European conference was gaining ground in other countries, and that it should be convened "naturally, with the presence of the United States and Canada." He said that "the sooner this forum takes place, the greater the chances for real disarmament will be."

Mr Shevardnadze, in his talks with Mr Genscher, said Moscow had in mind "a set of measures aimed at creating a new, peaceful and secure Europe." A Foreign Ministry official was later quoted as saying that "we think this would be an ideal way to clear the ground for conventional negotiations and give them a political impulse."

● Greater co-operation between West Germany and the Soviet Union on space and aircraft technology was forecast by Mr Erich Riedl, State Secretary of the West German Economic Ministry, in an interview with the Tass news agency yesterday.

Mr Riedl, who led a delegation of West German executives on a visit to the Zaporozhye aircraft plant, said that he expected working groups soon to specify joint projects. He said that co-operation in both of these spheres would be that of "equal partners" in terms of technological advance.

● Soviet military officers, using powerful explosives at the Saryozek test-range in Central Asia yesterday, destroyed the first nuclear missiles to be liquidated under the Intermediate Nuclear Forces (INF) treaty with the United States, Reuter reports.

Four shorter-range SS-12s, known in Soviet military terminology as OTR-22s, were blown up in an elaborate ceremony watched by an official inspection team from the United States, other foreign observers and some journalists.

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OVERSEAS NEWS

Angola-Namibia talks prompt cautious optimism

By Michael Holman in Geneva

THERE IS a "positive momentum" to the Angola-Namibia talks, Mr Anatoly Adamishin, the Soviet Deputy Foreign Minister, said yesterday, Michael Holman writes. He was speaking after a meeting with Dr Chester Crocker, who is chairing the four-country negotiations beginning today.

The meeting illustrates the close co-operation between the US and the Soviet Union in efforts to bring independence to Namibia and end the war in Angola. Mr Vladillen Vasev, head of the Southern African Department in the Soviet Foreign Ministry, is staying in Geneva as an observer. The critical issue, Mr Adamishin told a press conference, was whether South Africa was serious when it said that it hoped to reach a settlement: "I think it is."

THERE are two views about prospects for the talks on Angola and Namibia (South West Africa) which resume in Geneva today.

The optimistic – almost euphoric – assessment came last week from Mr Fidel Castro, the Cuban leader, who has committed nearly 50,000 of his troops to the battle between Angola and South Africa. "We are really on the threshold of a political solution," he declared. President Eduardo dos Santos seems equally encouraged: "We have never been as close to a negotiated solution as now."

From South Africa comes a markedly more cautious sentiment. "We are still at the foot of the mountain," said Mr Pik Botha, the Foreign Minister. "The road ahead is steep, full of potholes and dangerous curves."

All were speaking shortly after the three governments had announced their acceptance of a 14-point outline of the principles for what was called "a peaceful settlement in south-western Africa", drawn up during talks in New York chaired by Dr Chester Crocker, US assistant secretary of state.

Most observers incline to Mr Botha's judgment. The two main principles of a settlement have, after all, been in place for some time: UN resolution 435, which provides for internationally supervised independence elections for Namibia, and Angola's acceptance of US and South African demands that implementation of the resolution be linked to a withdrawal from Angola of Cuban forces.

Optimists, however, note two further points which emerged from the New York session which suggest that both Angola and South Africa have made important concessions. One says that the governments agree "not to allow their territory to be used for acts of war . . . against other states." This suggests that Angola may be prepared to sign a non-aggression pact which would end its military support to the African National Congress, including guerrilla training.

If correct, it is a very tempting inducement for President Botha. For its part, South Africa appears to have accepted an even greater role for the UN – something it has been trying to avoid. The relevant principle gives the permanent members of the Security Council a role "as guarantors for the implementation of agreements that may be established".

Taken with the factors which have brought the parties this far – a stalemate in the war between Angola and South Africa, and what Dr Crocker calls "a convergence of interest" with the Soviet Union – it might suggest that a breakthrough is in sight.

But the sceptics need evidence that a wide gap is being closed, between South Africa's insistence that the Cuban withdrawal take place over a year, and Angola's suggestion that it take three to four years.

Bridging this gap is the most difficult task before the Geneva negotiators. Should it be resolved, the other items on the Geneva agenda – agreeing on how troop withdrawals can be verified, the process of disengagement and ceasefire, and treaties reflecting the 14 principles – present less formidable obstacles.

But until the vital timetable for a Cuban departure is settled, it may be premature to share Fidel Castro's optimism.

NZ Government split over plan to sell bank

NEW ZEALAND'S Labour Party Government, faced with a growing crisis over plans to sell the country's leading bank, said on Monday it was calling a special meeting of its MPs to discuss the issue, Reuter reports from Wellington.

Prime Minister David Lange said the party caucus would meet on Thursday, a week ahead of schedule.

The move follows a decision by a backbencher, Mr Jim Anderton, to abstain from voting on legislation permitting the sale of the state's 85 per cent stake in Bank of New Zealand as well as the Post Office Savings Bank.

The two profitable institutions are sacred to party leftists, especially BNZ, which was nationalised by another Labour government in 1945.

Mr Lange said the meeting would discuss Mr Anderton's moves to "distance himself from caucus decisions."

Mr Anderton said he would abstain, but not join the Opposition, in the vote on the sales announced by Finance Minister Roger Douglas in his budget last Thursday.

Mr Douglas said the banks would be sold in order to achieve a NZ$2.26bn (£867m) surplus to go towards repaying domestic and foreign debts totalling NZ$39bn.

The protests do not affect the Government's 17-vote majority but open a public rift between economic reformists, led by Mr Douglas, and party traditionalists.

Seven more leftist Labour members briefly left Parliament when the legislation was introduced on Friday.

Mr Douglas has rejected claims by some commentators that the market-oriented Government is destroying the Labour Party.

Tokyo loan for Indonesia

By John Murray Brown in Jakarta

INDONESIA has won a big concession from Japan, its main bilateral donor, in its bid to reduce the yen portion of its debt. Part of a new loan agreed in Tokyo last week is to be extended in US dollars.

Japan's Export Import Bank is to lend the equivalent of $576m (£333m), made up of Y60bn and $200m, at semi-concessionary interest rates to fund projects in power, transport and agriculture sectors run by the World Bank and the Asian Development Bank (ADB).

Japanese officials in Jakarta said it was the first time the Exim Bank had agreed to lend in currencies other than yen, and followed strong requests from Indonesia.

Over 30 per cent of Indonesia's estimated $40bn foreign debt is denominated in yen, which has appreciated sharply since late 1985 against other major currencies.

The World Bank estimates that around 40 per cent of Indonesia's gross exports in 1988 will be absorbed in servicing the debt.

Two Soviet POWs to be freed

AFGHAN guerrilla leaders said yesterday that they would release two Soviet prisoners of war as a gesture of goodwill, Reuter reports from Islamabad.

The announcement came as a Western diplomat reported a big offensive against the rebels under way near Kabul.

A seven-party guerrilla alliance based in Pakistan said the prisoners would be handed over to Soviet authorities through the International Committee of the Red Cross.

The alliance chairman, Syed Ahmad-Gailani, said the guerrilla groups were also ready to "take measures to stop attacking Soviet troops while withdrawing, provided they stop military involvement in backing the Kabul regime".

But news of the guerrilla offer coincided with reports from Kabul of fierce fighting west of the city following a big Soviet and Afghan government offensive against the rebels.

A Western diplomat said the attack against rebels about 12 miles from Kabul began three days ago and fighting was apparently still raging.

The rebels were grouped around the garrison town of Paghman, he said. The offensive began after days of heavy artillery and aerial bombardment of the Paghman area.

The Afghan guerrillas have not identified the two Soviet prisoners, or indicated where they are being held captive, or where they will be handed over to the Red Cross.

But Mr Gailani said they were being returned to the Soviet Union in full conformity with their wishes.

Basra business prepares for peace

Barbara Slavin reports from an Iraqi city at the Gulf war's centre

THE BIG guns began booming at sunset, flashes of light from their muzzles blinking bright on the horizon beyond the palm-fringed Shatt al Arab waterway. But the people of this war-weary city hardly seemed to take notice.

"It's a white light which means Iraqi artillery," explained a local shopowner nonchalantly. "Yellow light is Iranian."

The shopowner, who like most people in this politically repressed country asked that his name not be mentioned, has had plenty of time to learn such fine distinctions.

For four long years, his city was the great objective of Iran, the Shia Moslem domino whose fall was to set the fragile Sunni sheikdom to the south toppling.

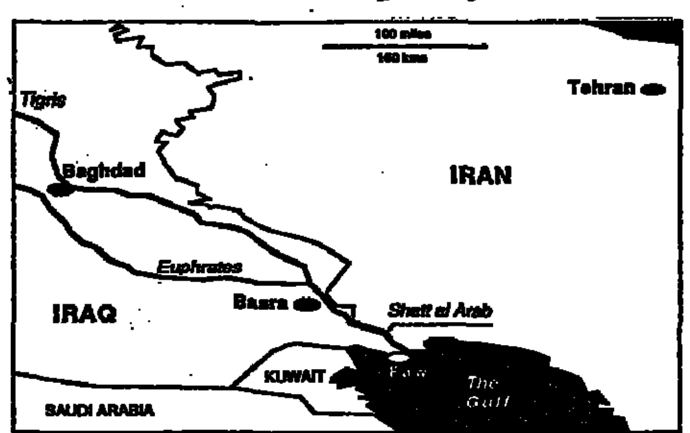
More than 1,000 of its citizens died in shelling last year alone when Iran launched its most concerted "final offensive" whose failure turned out to be the turning point of the war.

So it was in Basra that relief and cautious optimism were most openly expressed in Iraq, after Iran at last accepted a United Nations call for a ceasefire.

"Everybody was very happy," to hear the Iranian announcement, said the owner of a hotel inaptly named at its opening five years ago, Dar es-Salaam, the "House of Peace."

Residents of Basra, before the war Iraq's second largest city and major port, started trickling back in April after Iraqi forces scored their first major land victory since 1982, recapturing the Faw peninsula at the southern tip of the country.

The trickle broadened last month after the Iraqis finally pushed out the last Iranians from a man-made barrier called Fishlake and the Jasim River, only six miles away.



Perhaps 50,000 of the 200,000 families that fled Basra in 1987 have now returned, said the shopowner.

"Too much people," said the hotel owner, whose battered establishment, its blown-out front windows still covered by cinder blocks and sandbags, was almost full.

Not far away, on Ashar Street in the centre of town, young boys were fishing in a fetid canal that flows from the Shatt al Arab.

In the city's labyrinthine market, still with 100-year-old houses, some of whose carved wooden balconies miraculously survived the shelling, every shop was open and the narrow streets were crowded despite the scorching 43°C late afternoon heat. Soldiers on leave from the front and local residents quaffed fruit juice and sugared tea, gobbled grilled kebabs, got haircuts, went to martial arts movies with inspiring titles such as "Enter the Invincible Hero."

The beer halls and seedy nightclubs were also full of soldiers and Kuwaitis, who had left their country next door for a long Moslem holiday weekend to savour the liquor and loose living forbidden at home.

Basra, the legendary home of Sinbad the Sailor, has always had a freewheeling reputation and has kept a more open atmosphere despite the war and the dictatorship of Mr Saddam Hussein, the current Iraqi strongman.

Fought over frequently in its 1,200 year history, it is located on the Shatt al Arab, the "River of the Arabs," a 220km estuary that flows from the confluence of the Tigris and Euphrates Rivers to the Gulf and that marks the historic dividing line between Arab and Persian empires.

A cultural crossroads, Basra has produced some of the Arab world's greatest artists and poets. Their shrapnel-scarred statues fill the dusty squares along with decapitated palm trees and giant posters of the moustachioed President Hussein.

The posters, the product of a personality cult second only to that ofNorth Korea's leadership, were the only items in town this week that seem to have been completely renewed.

Elsewhere, evidence of the shelling was still overwhelming. On every street, giant holes punctured masonry, piles of twisted metal and concrete marked the spots where houses once stood, shell craters scarred streets and pavements and smelly green pools bubbled up from broken sewers.

Windows were shattered everywhere, even at the local headquarters of the ruling Baath Party and the "Museum of the Martyrs of the Persian Aggressive Shelling" opened when the bombardments started in 1984. The luxury Sheraton Hotel along the Shatt was still closed, its huge arched front glass door smashed and its entrance blocked by barbed wire.

Sandbags were piled high throughout the city and property owners said they would have to wait before removing them them, until they were more confident that there would be real peace.

The worst shelling took place, they said, from January to April of this year, during the last bloody spasm of the "war of the cities."

"Two hundred shells fell every hour," said the shopowner, drinking a soda at the Badr casino, a cafe along the Shatt that stayed open throughout the war.

In the murky water below, barbed wire and sharp metal sticks remained as obstacles to the Iranian advance that never made it. Sandbag pillboxes alternated with palm trees along the bank, still ready for the city's last defence.

The innkeeper and the owners of the shop and hotel were among a tough minority who never left Basra even in January 1987, when the Iranians were at the gates and the shells were falling like raindrops.

"The leaders of Iran made a big mistake when they tried to take Basra by force," said the shopowner. Even though the people of Basra are primarily adherents of the Shia sect of Islam that predominates in Iran, they "love their country, their own soil," he said.

"Basra people are not like other people," the shopowner said. "Basra people are very brave."

Hopes for Kampuchea peace formula

By Peter Ellingsen in Peking

CHINA seems cautiously optimistic that Sino-Soviet talks scheduled for Peking this month may provide the beginning of a formula for resolving the future of Kampuchea.

Sources in Peking said the withdrawal of Soviet troops from Afghanistan and the recent thaw in Sino-Soviet relations were signs that Moscow was willing to negotiate over the 10-year Kampuchean impasse. But, they warned, an early solution was unlikely.

China was prepared to wait to achieve its objective of seeing all Vietnamese troops withdrawn from Kampuchea under international supervision.

It was also expected to insist that the Khmer Rouge, the group which killed hundreds of thousands of people during its rule of Kampuchea from 1975 to 1978, play a part in any new government.

The Soviet Union and Vietnam fear the 40,000-strong group would dominate any new administration.

● China will offer political asylum to former Kampuchean leader Pol Pot, who is in a Peking hospital for unspecified medical treatment, a magazine about Chinese affairs has said, AP reports from Hong Kong.

The August edition of the Chinese-language Cheng Ming magazine, seen yesterday in Hong Kong, also said that Peking authorities were not letting Pol Pot leave the country. It did not elaborate.

Under Pol Pot's Khmer Rhouge regime that ruled Kampuchea from 1975-78, hundreds of thousands died in camps and execution chambers. The Government attempted to restructure the country into a primitive agrarian society.

AMERICAN NEWS

Congress views shift on aid for Contras

By **Nancy Dunne** in Washington

CONGRESS is again faced with the politically explosive issue of aid for the Contra rebels of Nicaragua, with some Senate Democrats defying their party's presidential nominee by preparing their own proposal for military aid.

Concern has been building in Congress about the crackdown by Nicaragua's ruling Sandinistas on their political opponents and the erosion of the Nicaraguan ceasefire. On Sunday, Senator David Boren, chairman of the Senate Intelligence Committee, said that Democrat senators were writing their own plan to renew military aid to the Contras next year.

"I see a real shift in both houses of Congress on both sides of the aisle, in the direction of thinking that we need to apply pressure once again on the Sandinista government," he said.

Senator Boren said he was acting as a surrogate in the Democratic Contra aid negotiations for Senator Lloyd Bentsen, the Democratic vice-presidential nominee, who has long backed the Nicaraguan rebels. The issue is a potential embarrassment for Governor Michael Dukakis, the Democratic presidential nominee, who has taken a strong position against backing the Contras.

At the weekend, President Reagan called for a renewal of military aid to the Contras and insisted that the cut-off of funding to "the freedom fighters was a dreadful mistake".

The President said he would support a package being prepared by Senator Robert Dole, the Republican leader, for $27m in humanitarian aid and $20m in military aid. The Democrats are studying humanitarian aid and proposing that $18m in military aid, already appropriated but frozen, would be released if the Sandinistas took unprovoked action against the rebels.

Meanwhile, Mr George Shultz, the US Secretary of State, has arrived in Guatemala on the first leg of an 11-day Latin American trip. Yesterday he was to meet foreign ministers of Guatemala, Honduras, El Salvador and Costa Rica who have been unable to agree on how to move the regional peace plan forward.

Foreign ministers from El Salvador and Honduras are willing to sign a seven-page document harshly critical of Nicaragua. But Costa Rica and Guatemala will agree only to a generalised two-page statement reasserting support for peace.

Shultz: Guatemala talks

Mexico's 'loser' holds all the political cards

David Gardner reports that the opposition has continued to grow in strength

NEARLY three weeks after Mr Carlos Salinas de Gortari, candidate of the 71-year-old Institutional Revolutionary Party (PRI) regime, was declared the victor of Mexico's bitterly contested presidential elections, there is still everything to play for.

Mr Cuauhtemoc Cardenas, the left-wing nationalist leader of the biggest wave of anti-regime sentiment the PRI has ever seen, claims the Government usurped its win by fixing the vote. He appears bent on creating a constitutional crisis which will prevent Mr Salinas taking office on December 1.

Mr Manuel Clouthier, presidential candidate of the right-wing National Action Party (PAN), though poles apart from the Cardenas coalition ideologically, is converging with it tactically through a campaign intended to make Mexico ungovernable by Mr Salinas.

Inside the ruling party, Mr Salinas and his reformist group of foreign-trained technocrats are weak. Until December he has the all-important backing of President Miguel de la Madrid, who hand-picked him for the job but, at least temporarily, the PRI has lost the initiative to the Cardenistas.

Mr Cardenas is criss-crossing the country, holding demonstrations against what the opposition regards as the regime's "imposition" of Mr Salinas' victory in the July 6 presidential and general election.

The official results, announced on July 13 after a week's delay, gave Mr Salinas 50.4 per cent (with 9.6m votes from a 38m electorate), Mr Cardenas 31.1 per cent and Mr Clouthier 17.1 per cent. Even taken at face value these results, 20 points below the regime's lowest tally in 1982, are a crushing defeat for the ruling party.

It is probably no longer possible to determine the exact outcome of what was undoubtedly a closer contest than the official results reflect, though it is clear, after discounting vote inflation, that barely one in five Mexicans support the PRI. Even Salinas aides admit his victory lacks credibility.

Mr Cardenas, whose main strength is his credibility, is pursuing a twin-track strategy aimed at proving, as far as is possible, concrete instances of electoral fraud and simultaneously demonstrating in the streets that Mr Salinas does not enjoy a national consensus.

The Cardenistas state that the only basis for negotiation with the regime is official recognition of the real results of July 6. In practice, however, they appear to be aiming at a transitional solution.

This involves forcing President de la Madrid to dissuade Mr Salinas from presenting himself for investiture on December 1. Such a situation is foreseen by Article 85 of the constitution, which requires Congress then to elect an interim president, who would be obliged to call new elections within 14 to 18 months.

The chances of this happening are remote. To go no further, Mr de la Madrid is not the sort of leader to submit to pressure from the streets. Yet it cannot be discounted.

Since he started his drive to overturn the election with a rally of over 300,000 ardent supporters in Mexico City two weeks ago, Mr Cardenas has consistently drawn bigger and more militant crowds than attended his end of campaign rallies in the same places. His star is in the ascendant.

Tens of thousands of workers, peasants, the urban middle classes and students have urged him to fight to the bitter end in the states of Guerrero and Veracruz – where evidence of widespread fraud against his broad left coalition has emerged.

These, however, are all areas of proven Cardenista strength. He still has to prove that he is a genuinely national force.

The ruling party appears to be biding its time, in the hope that the protests will burn out. The long interregnum between elections and investiture was originally designed to facilitate just that, but it now looks a menacing calendar almost made to measure for the opposition.

By August 15, the electoral tribunal appointed by the state is due to deliver its verdict on congressional elections. The new 500-seat Congress, which on the official results will give the PRI only 255-60 seats against the 240-45 of the Cardenistas and PAN, will then assemble for Mr de la Madrid's last state of the union address on September 1. After that it becomes the electoral college, which must ratify the new president by September 15.

The coming weeks are also clustered with emotive anniversaries around which the Cardenistas can rally: October 2, the 20th anniversary of the army massacre which ended the 1968 student rebellion, the anniversary of the 1985 earthquakes on September 19 and of the 1910 Revolution on November 20.

Interspersed with all this, a new cycle of state and municipal elections begins in Veracruz on October 2. Moreover, the Economic Solidarity Pact, Mexico's stabilisation plan, this month has to be renegotiated with a trade union bureaucracy which was the biggest casualty of the PRI's drubbing at the polls, and which appears to see wage rises as its shortest route to recovering credibility.

The party so far has made no attempt to mobilise, probably because it cannot: its traditional methods of press-ganging crowds would fill Mexico's squares with Cardenistas. It continues to slander Mr Cardenas, black him out on national television and intimidate his followers, all of which is further increasing his prestige and raising tensions.

Both President de la Madrid and Mr Salinas are reliably understood to have ordered government, party and security forces to use kid gloves with the opposition. Mr Cardenas daily instructs his insurgent followers to stay inside the law.

But in these feverish times, the chances of a provocation must be high. Two of Mr Cardenas' aides were assassinated on the eve of the elections, and last week a Mexico City stock brokerage was blown up.

By far the regime's best option appears to be to ignore the opposition but not its message, hoping that Mr Salinas can hang on to his presidency through negotiations now and a detailed and convincing programme of rapid reform on December 1.

Negotiations are difficult, however, because the PRI cannot negotiate away real power and Mr Cardenas' real power is based on public perception that he will not do deals. Yet perhaps there is scope.

On economic policy, Mr Salinas aides foresee measures to reduce payments by as much as $3bn a year on the $103bn foreign debt, through negotiation but unilaterally if need be. More concessions to labour are anticipated, followed by phased reflation and rebuilding of wages, while disinflation is consolidated at a gentler pace.

On political reform, Salinas advisers and sympathetic analysts agree the young ex-planning minister will have to move firmly and fast.

Options include recounts in Veracruz, Guerrero and other disputed areas, elections in Mexico City, the removal of election management from government hands, a cabinet which includes figures acceptable to the opposition, and a firm commitment to devolve presidential powers to Congress. Such measures could defuse the confrontation and peacefully enact the electoral revolution of July 6.

White House seeks compromise on arms sale to Kuwait

By **Nancy Dunne**

THE Reagan Administration is discussing a $1.9bn arms sales deal for Kuwait with members of Congress and Jewish groups, hoping that a proposed compromise and the recent loss of the Saudi Arabian arms trade to Britain will make the Kuwaiti package more acceptable.

The pro-Israeli lobby has so far succeeded in blocking the sale of 40 F-18 Hornet fighters and Maverick air-to-surface missiles to Kuwait. However, according to the New York Times, the Administration, key members of Congress and representatives of American Jewish groups have hammered out the outlines of a compromise which would reduce the danger of the arms deal to Israel.

Administration officials have argued that if Congress fails to agree to the deal, the Kuwaitis, like the Saudis, will take their business elsewhere.

Under the proposed agreement, Congress would be assured that Kuwait could not extend the range of the F-18s with aerial refuelling equipment, that the aircraft would not be based outside Kuwait and that the deal would not set a precedent for selling arms to other nations.

Kuwait would be allowed to buy 300 Maverick Gs, which are used against large targets such as warships, but no Maverick Ds, which operate against tanks. Sale of the missiles would not be allowed until the F-18s were in operation, which would take about six years.

Nova Scotia to hold election in September

By **David Owen** in Toronto

AFTER months of speculation, Mr John Buchanan, the longest-serving provincial premier in Canada, has said that voters in the east coast province of Nova Scotia will go to the polls on September 6.

Indications suggest that it will be a hard-fought contest. While Mr Buchanan's Conservatives have ruled the province since 1978 and preside over a comfortable 29-seat majority in the 52-seat legislature, they have been hit by political scandals in the past two years.

Earlier this year, Mr Roland "Rollie" Thornhill, deputy premier, resigned after reports showed that banks had forgiven a portion of an outstanding debt shortly after he joined the Government in 1981. Two other former ministers and a backbencher have been convicted of various offences.

Mr Buchanan, 57, was thought to have been deterred from calling an election late last year by the result of a similar contest in neighbouring New Brunswick. There, the ruling Conservatives failed to win a single seat and were swept out of power by Mr Frank McKenna's Liberals.

Ecuador debt warning

ECUADOR cannot afford to service debt owed to foreign commercial banks, a senior adviser to President-elect Rodrigo Borja said yesterday, Reuter reports from Quito.

Mr Abelardo Pachano, an economist who will meet bankers in New York today on behalf of Mr Borja, made the remark before leaving for New York.

He will join Mr Jorge Gallardo, the next Finance Minister, to reopen debt negotiations.

On July 8, Mr Eduardo Cabezas, Finance Minister in the Conservative Cabinet of Mr Leon Febres Cordero which gives way this month to Mr Borja's Social Democrats, suspended negotiations saying repayments were too heavy for a country that had lost almost $3bn over the past three years partly though weak international oil prices.

Guatemala 'close to IMF deal'

GUATEMALA is about to finalise negotiations with the International Monetary Fund for a standby loan and compensatory financing amounting to $126m, according to Guatemalan monetary officials, writes Anson Ng in Guatemala City.

The vice-president of the Bank of Guatemala, Mr Luis Aguilar, said that the official targets of 4 per cent real growth and a fiscal deficit of under 3 per cent of Gross Domestic Product for this year had received "the stamp of approval" from the technical mission of the IMF which visited Guatemala in July. Guatemala is preparing to submit a letter of intent on its economic goals which is likely to be acceptable to the Fund.

Some independent economists, however, have expressed scepticism over the Christian Democrat administration's ability to bring the budget deficit down substantially in spite of fiscal reforms.

Guatemala has been without an IMF agreement since 1984. Its external debt is relatively small in comparison with other Latin America countries but its maturing short-term obligations, prior to renegotiations, leaves it with principal and interest payments equivalent to 42 per cent of its export earnings this year.

US construction spending up 0.1%

US construction spending in June rose 0.1 per cent to a seasonally adjusted $402.4bn annual rate, AP-DJ reports from Washington.

The latest increase follows a revised rise of 0.8 per cent in May to an adjusted $402.[illegible] annual rate, the Commerce Department said. The May increase had previously been estimated as 1.1 per cent.

Shuttle rehearsal

TECHNICIANS yesterday finished a crucial rehearsal for the launch of the space shuttle Discovery in spite of technical troubles that officials said might delay a key engine test firing set for Thursday, Reuter reports from Cape Canaveral.

Further postponement could lead Nasa to put off Discovery's lift-off – targeted for early next month – until late September or early October.

WORLD TRADE NEWS

Ford, Yamaha in engine link for US car

By **Ian Rodger** in Tokyo and **John Griffiths** in London

THE first collaborative project between Ford of the US and Yamaha Motor, the Japanese motor cycle and engine group, will reach the market later this month in the form of a high-performance version of the Taurus, Ford's best-selling North American medium-sized car.

Yamaha, which already supplies engines on an original equipment basis to Toyota Motor, expects to supply to Ford about 20,000 units a year of a 3-litre, four-valves per cylinder engine to be installed in a limited-production version of the Taurus called the "Show".

The engine is the end-result of a contract first signed between the two companies more than three years ago. At that time, it provided only for Yamaha to develop a high-performance, multi-valve cylinder head for the standard, three-litre V6 engine used in the Taurus. The basic engines were intended to be shipped from Ford US to Japan for conversion by Yamaha.

However, a Ford US spokesman said yesterday, the contract had evolved into Yamaha supplying a complete engine to Ford.

The contract represents the second close link with a Japanese motor company forged by Ford, which also holds a 25 per cent stake in the car maker Mazda.

The spokesman said the contract did not reflect adversely on Mazda – "there are quite a number of different projects going on".

The Yamaha contract has been pursued despite the handicap of the high yen in exporting goods from Japan to the US.

It is seen by Ford as not conflicting with a deal signed about three years ago between Ford and Cosworth, the UK-based engineering group, under which Cosworth was also to develop high performance multi-valve engines for Ford.

This contract has resulted initially in a new Grand Prix motor racing engine for Ford. However, like the Yamaha unit, this is expected to contribute to Ford's next generation of road-going car engines for the 1990s.

Japan to hold more talks on Korea textile imports

By Our World Trade Staff

JAPANESE and South Korean officials are to hold further talks shortly on the flood of Korean textiles exports to Japan, amid signs that voluntary curbs imposed from July have not fully reassured Japanese officials.

Officials at Japan's Ministry of International Trade and Industry (Miti) and their South Korean counterparts are expected to hold talks soon on monitoring the impact of voluntary curbs recently imposed by Seoul on knitwear exports to the Japanese market, a Miti official said.

The talks will review the impact of the voluntary curbs.

The restraints were imposed by the South Korean government on July 1 to head off a major confrontation with Tokyo.

Japan, for its part, has threatened to invoke its right to limit imports under the international Multi-Fibre Agreement (MFA), unless the flood of low-cost knitwear exports to Japan is moderated.

Until now, Japan has never imposed quotas under the MFA. Japanese knitwear makers are pursuing punitive action of their own through the Finance Ministry which could result in a more serious complaint under the General Agreement on Tariffs and Trade (Gatt), officials said.

South Korean exports to Japan of knitted outerwear surged 63 per cent in 1986 and 69 per cent in 1987, according to Japanese government statistics, capturing roughly a quarter of Japan's domestic knitwear market last year.

ECGD may restore Brazil cover soon

By **Peter Montagnon**, *World Trade Editor*

MEDIUM-TERM UK export credit cover for Brazil could be restored as early as September or October, following Brazil's $5bn (£2.9bn) Paris Club debt rescheduling agreement with official creditors reached at the weekend.

The Export Credits Guarantee Department said yesterday that a restoration of cover for Brazil might be in place before bilateral talks needed to ratify the provisions of the Paris Club agreement. Normally cover is only restored after these bilateral talks are concluded.

However, a number of conditions remain to be fulfilled before Brazil can receive fresh cover which bankers expect to amount to something between £100m and £300m.

First, the ECGD must consult with other government departments and Ministers to obtain authorisation to restore cover which has been interrupted since 1983.

Second, it is also awaiting the formal approval of the International Monetary Fund for Brazil's economic recovery programme. Though this is regarded as a formality, it is contingent on a critical mass of subscriptions worth some 90 per cent of the total being received for Brazil's new $5.2bn commercial bank funding.

The unusual speed with which the ECGD is moving to resume cover on Brazil reflects both a desire to encourage the more orthodox approach to economic management adopted by the Sarney regime and an awareness that other countries are also moving to do likewise.

Though they do not expect a bonanza, British exporters say Brazil could offer some potentially attractive medium-term business.

Saudi deal for Finns

Finland's Kone Corporation and its West German joint venture company O&K Rolltreppen will supply a complete passenger transporation system for the King Fahd Airport, Damman, Saudi Arabia, Olli Virtanen reports from Helsinki.

The deal is worth $25m.

UK exporters eye southern opportunities

Peter Montagnon reports that EC regional aid grants could boost project business

BRITISH civil engineering companies are coming under pressure from the Government to take advantage of growing export opportunities in southern Europe which officials believe will be created by the substantial increase in European Community aid grants in the run up to 1992.

As part of its plans to create a unified European market the EC Commission has announced plans to double regional aid spending through its structural funds to Ecu14.4bn (£9.36bn) by 1993, with most of the benefit going to poorer regions like Portugal, Greece, Ireland and parts of Italy and Spain.

British government officials say this will create an export opportunity in southern Europe that may help fill the void left by the slump in project business in the developing world since the onset of the debt crisis and the fall in oil prices earlier this decade. But the officials are worried that British companies may lose out if they do not move quickly.

"The danger is that, if we fail to move in, we will find our competition in Europe taking the whole project area over on the Continent and moving in on our market here," says Mr Christian Adams, newly-installed head of the projects and export policy division of the Department of Trade and Industry which oversees major foreign project business.

According to DTI estimates the flow of public works orders that will come from the increase in EC grant money will exceed the capacity of local industries in the countries concerned. French and German companies already have a better record than their UK counterparts in winning EC-financed business in other Community countries.

Industry executives, however, say this is oversimplification. The French and German success is partly the result of a shortage of domestic work which does not affect British companies because of the construction boom in the UK. Meanwhile a number of questions remain about the true potential of the European market after 1992.

Superficially, the idea of a market in which both finance and orders are readily available should appeal to export managers frustrated by vain attempts to develop new business in ailing Third World economies. But will public procurement really be as liberal as the EC Commission expects? How will local industries react? How can British companies, whose experience has been largely confined to residential development projects in Spain and Portgual, compete with local companies who know the ways of government buyers?

> The EC Commission has announced plans to double regional aid spending through its structural funds to Ecu14.4bn (£9.36bn) by 1993

Trafalgar House says it has established "a small team of people who are looking at the possibilities." Similarly Tarmac says it is looking at opportunities, possibly through the purchase of small local companies in southern Europe which could be developed. It has already used this tactic to expand in the US.

According to Mr David Bottom, chairman of the construction division of John Laing, the approach that will be needed depends heavily on the nature of the work available – and no one knows yet exactly how the EC grant money will be spent.

If there is a series of small projects, the local industry in the countries concerned could probably cope. British companies would stand a better chance in large-scale projects which go out to international tender. Or, Mr Bottom adds, it might make sense to establish joint ventures if the right market niche can be found.

Laing has had a subsidiary in Spain for 25 years which has won several public works contracts, including a headquarters building for the government of Catalonia and the Zujar canal in Extremadura. "A UK contractor could not bid for the kind of work we do over there and that we bid for over there. Local knowledge is absolutely crucial," says Mr Bottom.

"The working assumption is that you'd have to have an associate within the country," adds Mr Peter McGregor, director of the Export Group for the Constructional Industries. British firms are sizing up foreign companies as well as markets, he adds.

It will take several months before they start to draw detailed conclusions from this process, but already some tentative general points are beginning to emerge.

One is that Portugal could be the country with the greatest opportunities. Elsewhere local industry is quite firmly entrenched. Greece, for example, has a well-developed construction sector with idle capacity left by the slump in orders from the Middle East. "I find it difficult to believe that a UK firm could undercut a Greek one," says Mr Charles Williams, a construction industry analyst with James Capel.

If there is a shortage of capacity in southern Europe as a result of stepped-up EC grant money, then it will be essentially in qualified engineering skills, which means consultants should benefit most, he adds.

Eventually the emerging opportunities could lead to an additional flow of investment funds to southern Europe as civil engineering firms move in on the market.

Meanwhile, however, liberalisation of public procurement does not mean that only EC companies will become eligible to bid, officials note. It will also create opportunities for companies from other countries like Japan, who are rarely slow off the mark.

Eximbank reopens loan programme for Brasilia

By **Nancy Dunne** in Washington

THE US Export-Import Bank and its agent, the Foreign Credit Insurance Association, yesterday announced that they had reopened their programme for medium and long-term financial support of US exports to Brazil.

Eximbank said that the way to renewed financing had been paved by Brazil's stand-by agreement with the International Monetary Fund (IMF) last week and a rescheduling agreement with the Paris Club last Friday.

The export financing agency had announced on July 11 that it was accepting applications for cover on sales to Brazil.

It said that it would present them to the board of directors for consideration on conclusion of a Paris Club debt rescheduling.

Eximbank also announced yesterday approval of a working capital guarantee to help Soberay Machine Equipment Company of Cleveland, Ohio.

The company had secured an $8.6m export contract for a new tyre plant in Iraq.

With this guarantee of working capital, Eximbank covers 90% of a $3.3m commercial bank loan to finance Soberay's manufacture of new rubber processing machinery and the purchase and refurbishing of used machinery.

Soberay, a division of Technical Machine Products Corporation, manufactures and refurbishes rubber mixing and processing equipment.

Its contract is with the New Tyre Project Committee in the Iraqi Ministry of Heavy Industries.

Denmark bus groups in 'flag transfer' move

DENMARK may soon be forced to modify one of its high indirect tax levels to prevent a loss of jobs and business to European competitors, Hilary Barnes reports from Copenhagen.

The country's long-distance bus companies are undertaking a "flag transfer" from Danish registration to registration in West Germany or Luxembourg, according to the busmen's employer association.

The companies are reacting to high Danish registration costs and the expectation that the European Commission's directive on the liberalisation of international bus traffic will receive approval by year-end.

In the worst case, up to 5,000 Danish jobs could be lost if the 600 coach operators register all their 1,500 coaches abroad, according to Mr Michael Brandt-Nielsen, manager of the employer's association.

Tokyo to ease trade insurance regulations

JAPAN'S Ministry of International Trade and Industry plans to ease restrictions on trade insurance in order to encourage Japanese private fund flows into debt-ridden developing countries, ministry officials said, Reuter reports from Tokyo.

Trade insurance, which is managed by the ministry, covers damage to Japanese direct investment and exports.

The ministry currently accepts applications for insurance for trade with about 60 countries, declines to accept such applications for about 50 countries, and restricts applications for another 50.

Details of the plan have not been finalised.

Colombo buys US wheat

SRI LANKA has purchased 98,254 tonnes of US wheat grain at $21 less than the prevailing market price of $165 a tonne, Mervyn de Silva reports from Colombo.

The sale was made under the US-Sri Lanka PL 480 agreement under which the payment for imports is made in local currency to offset US expenditure in that country.

The Food Department official who negotiated the contract said that wheat prices were rising because of drought conditions in big producing countries such as Canada, Argentina and the US.

Entry of the Soviet Union and China into the market was another factor.

Until very recently, only those in the upper echelons of the social register ever inherited anything of any real worth. As the heirs of "well-to-do" families they knew what was coming to them, just as they knew what was expected of them.

This wealthy and worldly minority (perhaps 10% of the population) is now about to be superseded by a new, larger and more volatile band of inheritors: today's middle-aged, middle classes.

It is they who are set to become the "nouveau riche" of the 90's and beyond. And they will, in a very real sense, owe it all to their parents.

For it was the post-war generation who first enjoyed widespread home ownership. Now retiring in their millions, they will soon be conferring their wealth upon their already affluent 40 and 50 year old children.

A portentous event when one considers that even a modest estate can now be expected to top the £100,000 mark.

In fact, estimates predict that by 1997, parents passing away will pass on a staggering £24 billion a year. (240% up on current levels.)

Undeniably, the impact of this quiet, yet colossal transfer of wealth will be immense. It will affect

OVER THE NEXT 10 YEARS, MILLIONS OF PEOPLE WILL BE CONFRONTED WITH A UNIQUE PROBLEM.

companies big and small, old and new, progressive and old-fashioned alike. It will doubtless affect you and your company. After all, millions of dutiful sons and daughters will be presented with dauntingly large legacies.

But will they spend, spend, spend? Or will they use their vast discretionary wealth with discretion?

Will they, as some pundits predict, fritter their money away on the likes of fritto misto di pesce and moules à la crème; German fitted kitchens; Milanese designer furniture; winter holidays in St Lucia and summer jaunts to gîtes in the Camargue?

Or will they, as rival experts would have us believe, plough their considerable capital into the City's money markets?

As it is, 1 in 5 adults now hold stocks and shares of one sort or another. 1 in 3 have taken out their own private pension plan. 1 in 10 have decided to invest in private health care. These figures could advance dramatically given sufficient nouveaux inheritors with sufficient financial perspicacity. No area of finance would remain untouched.

Private education, for example, could become a realistic and popular option for legions of middle class families overnight.

Whilst an ever-decreasing retirement age and a less munificent welfare state could bring pension and private health care planning to the front of millions of minds.

The vagaries of luck and fate need not decide your company's eventual response to all this, though. You can start doing something about the matter today, just by thinking ahead.

For forward planning is the only answer. An answer that we at Ernst & Whinney have put into practice for companies of all sizes and complexions. In all probability, your company could benefit from contacting us. After all, without wishing to blow our own trumpet, we do have a wealth of experience.

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UK NEWS

Gleneagles buys into Lake Placid project

By David Waller

GLENEAGLES, the Perthshire hotel much beloved by businessmen and golfers, is to expand in the US. It has acquired a stake in a hotel at Lake Placid, New York state, where it is to create a sporting and conference centre of a scale and standard comparable with its Scottish flagship.

Together with United States Finance & Guaranty, and Daedalus Development Corporation of Toronto, Gleneagles has bought the Lake Placid Club, a listed 1920s building which has been closed for several years. Situated in 1,100 acres of grounds, including a ski mountain and three golf courses, the hotel presently has 300 bedrooms.

The initial consideration was $12m. After a feasibility study, considerably more than this is likely to be spent on developing the site in time for re-opening in 1990/91. The new development will be called Gleneagles Hotel, Lake Placid, and will be managed by Gleneagles Hotels, a subsidiary of Guinness.

This is the first time Gleneagles has moved overseas, although the company said yesterday it was always interested in potential developments in Europe, Japan and the US.

Motorola secures Cellnet mobile network order

By Hugo Dixon

CELLNET, one of Britain's two mobile phone operators, has chosen Motorola, the US electronics company, as the initial supplier of infrastructure for its new pan-European digital network. Cellnet plans to spend more than £400m on such equipment over the next five years.

The choice of Motorola is a blow to GEC Plessey Telecommunications, the UK company formed earlier this year when GEC and Plessey merged the telecommunications operations.

GPT had tendered for the Cellnet contract with its System X switches, which form the backbone of British Telecom's mainstream telephone network. Its failure to win either the Cellnet contract or a similar contract placed by Vodafone, Cellnet's rival in the UK, casts doubts on whether it will be able to win any contracts for the pan-European mobile network.

This network is planned to come into operation throughout Europe from 1991. It will allow people to drive from London to Madrid using the same phone.

Mr Colin Davis, Cellnet's managing director, emphasised that the choice of Motorola would be good for UK industry, as the US company had agreed to manufacture the infrastructure in the UK.

Mr Don Burns, managing director of Motorola in the UK, said the company had already decided to double the number of employees at its plant in Stotfold, Hertfordshire, to 1,000 and would probably double it again as Cellnet orders started coming through.

More than 60 per cent of the components for the infrastructure would be made in the UK, he said.

Under the contract, Motorola will supply Cellnet with a test system to make sure that the equipment for the new network works. Mr Davis said Motorola would also supply it with the first tranche of operational equipment in an order likely to be worth more than £50m.

He said Cellnet wanted to be sure that it always had the option of switching suppliers for subsequent tranches of the £400m investment programme. Both parties, however, made clear that they expected Motorola to be the favourite for future contracts.

The other telecommunications manufacturers who bid for the Cellnet contract were: Thorn Ericsson of Sweden, Siemens of West Germany, Orbitel of the UK, Philips Telecom of the Netherlands and Nokia of Finland.

Imports of spirits jump 16%

By Christopher Parkes, Consumer Industries Editor

IMPORTS of liqueurs, vodka and North American whiskies rose by almost 16 per cent last year.

Sales of native gin and Scotch, on the other hand, continued their long-term decline, with sales falling by 2 per cent, according to the Wine and Spirits Association.

Among British-made spirits, only malt whisky and vodka increased their sales, and liquor imports improved their market share by more than a full percentage point.

Imports now account for more than a quarter of all UK spirits consumption, compared with 22.6 per cent in 1983.

Overall figures show that total volume sales of spirits rose 1.3 per cent last year after falling in 1986.

Consumer boom is about to fade, says forecasting group

By Ralph Atkins, Economics Staff

BRITAIN'S long-running consumer spending boom will have faded by the end of the year, according to latest forecasts by Staniland Hall, the business forecasting group.*

Consumer spending will grow by just 1.4 per cent in real terms in 1989, compared with 4.7 per cent in 1988, the report predicts.

It warns: "We do not expect boom conditions to return during the next five years."

Any slowdown would follow three years of *exceptional* growth in the consumer sector. Spending increased by 5.2 per cent in 1987 and 6.0 per cent in 1986 at constant prices.

The report says the tax cuts in *the Budget* will sustain strong spending growth during the summer. However, by autumn the effects of a deterioration in the general economic situation could become apparent – particularly higher interest rates and rising inflation.

For the five years to 1993, Staniland Hall forecasts a real annual growth rate of consumer spending of about 2 per cent or below.

The latest index of consumer confidence included in the report shows a rise in the three months April to June. This follows a dip in confidence in the previous six months.

However, the index, which is based on a Gallup survey of 1,000 households, probably does not take fully into account the impact of recent rises in mortgage rates.

Responses to individual questions also suggest a change in attitudes. Worries about inflation have increased, while there is greater confidence about the general economic situation and prospects for unemployment.

Forty-seven per cent of the respondents said they felt the economic situation had improved in the past 12 months, compared with 42 per cent in the first three months of the year. A higher proportion of respondents expected a drop in unemployment than at any time since the survey began in 1974.

Looking at the composition of spending, the report predicts that car sales will decline in the autumn and in 1989. Spending on white goods, such as cookers, and brown goods, like audio equipment, is expected to continue growing in real terms but at a slower rate than in recent years.

● Interest rates could rise above 11 per cent in the next two months before falling by the end of the year, says National Westminster Bank in a report published today.

Mr David Kern, the Bank's chief economist, forecasts that base rates will peak at about 11 to 11½ per cent, compared with the present 10½ per cent.

He says that if the rate of growth of bank and building society lending does not slow down, a big rise in the cost of borrowing will be needed.

However, consumers are expected to reduce spending growth and save a higher proportion of their income, making such action unnecessary. Base rates are forecast to fall to 9½ per cent by the end of this year and to remain at that level throughout 1989.

Natwest predicts that retail price inflation will peak at just above 6 per cent at the beginning of next year, partly reflecting recent increases in mortgage rates.

Britain's current account deficit is expected to total £9.5bn this year and £6bn in 1989. Overall economic growth rates of 3.5 per cent and 2.3 per cent are forecast for this year and next respectively.

The pound is expected to remain resilient in the near future, sustained by higher interest rates. Later this year and in 1989 the large current account deficit and rising inflation mean sterling will ease against the D-Mark and the yen.

**Consumer spending forecasts. Staniland Hall Associates, P.O. Box 643, Alderbury House, Upton Park, Slough, SL1 2UJ. £100 single issue, £335 a year.*

Food makers face rising demand for new products

By Christopher Parkes, Consumer Industries Editor

FOOD manufacturers are flooding the UK market with new products in response to rising demand from a population hungry for "something different."

Launches of branded foods and drinks more than doubled in the first six months of the year, increasing to 1,500 compared with 738 in the first half of 1987, according to the Leatherhead *Food Research Association*. The figures take no account of own-label introductions by multiple retailers.

Ranging from organic lunch packs to smoked salmon sausages, many of the new products were aimed specifically at relatively small groups of consumers, graded according to way of life, age and other factors.

Hence the appearance of Bleu de Brasserie, a strong lager aimed at the new breed of women which is allegedly with us, and Hippo Tots dessert from Chambourcy targeted precisely on children aged between three and eight.

St Ivel has attempted to create a new niche market in the fragmented yellow fats business with its Lowest very-low-fat spread.

The innovators were busiest in the snacks, soft drinks, ethnic and vegetarian foods sector, and the number of offerings sold ready for cooking in the microwave oven increased by 136 per cent.

The impending demise of the sit-down meal, which has been on the decline for some years, and the ascendancy of "grazing" or eating "on the hoof" was reflected in the 170 per cent rise in the number of snack launches to 95 – including the appearance of microwaveable fudge and poppadoms.

On the back of last year's sharp increase in fizzy drink consumption – largely the result of heavy promotion by US cola makers – the number of soft drinks launched increased by 219 per cent to 86. This marked a recovery from 1987, when introductions in this sector were a third lower than in 1986.

The surge in new product development also reflects the reaction by large mainstream manufacturers to the advances made recently by small specialists. Having watched their progress, the majors are moving into their territory.

This is especially apparent, the association says, in vegetarian dishes. The number of launches rose almost threefold in the first half of this year after a 50 per cent increase during 1987.

New products review, Leatherhead Food Research Association, Randalls Road, Leatherhead, Surrey KT22 7RY.

Contractors hit by road repair moratorium

By Andrew Taylor and Kevin Brown

ROAD BUILDING and maintenance companies have started to lay off workers as a result of a government moratorium on motorway and trunk road repair contracts.

The British Aggregate Construction Materials Industries, a trade federation representing contractors and road building materials suppliers, said the Transport Department had also slowed down the award of new roadbuilding contracts.

It said lay-offs had mostly occurred in northern England but were likely to spread if the moratorium continued. Tilcon, one of the companies involved, said it had laid off some of its road surfacing workers in Yorkshire and Lancashire.

Mr Peter Bottomley, Transport Minister, told Parliament *last month that spending on* road building had been going ahead faster than had been expected. A slowdown in placing orders had been necessary "to keep spending on the road programme as a whole within financial provision."

Higher than expected tender prices from contractors have been blamed for some of the overshoot during the first few months of the financial year.

The Transport Department is carrying out a review to decide which works will be allowed to go ahead during the rest of the year. Mr Bottomley has warned that this might affect the timing of major works.

Road builders fear that the motorway and capital road maintenance programme, worth about £160m for 1988/89, could be halved.

The British Roads Federation said the Transport Department appeared to have abandoned plans for maintenance work on 40 miles of motorway and 100 miles of trunk road.

It said that local authorities were also expected to spend about £100m less in aggregate on road maintenance this year than the ceiling set by the Government – £1.164bn, against a ceiling of £1.264bn set in the Government's public expenditure provisions in January.

Government starts review of student unions

By David Thomas, Education Correspondent

THE GOVERNMENT is seeking extensive information on the spending patterns, internal procedures and political activities of student unions as part of its review of the relations between student unions and the National Union of Students.

The NUS has been under attack by the right-wing of the Conservative Party, which argues that many students are unhappy with the political campaigning of student unions and the NUS. The present arrangement is that individual students are automatically members of their local student union, which can decide whether or not to affiliate to the national NUS.

Mr Kenneth Baker, Education Secretary, announced in April a review of student union membership and of the provision of student services.

The Department of Education and Science has now sent a lengthy questionnaire to 70 universities, polytechnics and other colleges. It has asked the vice-chancellors or principals to complete the questionnaire by the end of October with the help of student unions.

Much of the questionnaire concentrates on the spending patterns of student unions, including the services provided centrally by the NUS, raising the prospect that the Government may be thinking about trying to find alternative sources of supply.

The NUS said yesterday that many of its services, such as student advice, were not available elsewhere, while others, such as purchasing for student union bars, were more cost-effective because they were organised centrally.

Another large section of the questionnaire concentrates on the internal voting arrangements for student unions, suggesting that the Government might be considering intervening in student union elections as it has in trade union elections.

The NUS, which said it would advise student unions to respond to the questions, attacked the questionnaire for ignoring larges areas of student union activity. Ms Maeve Sherlock, NUS president, said: "This survey is selective, unnecessary and ill-informed and will fail to contribute to any debate on the rights of students to representation at a local or national level."

Drug companies call for longer patent protection

By David Fishlock, Science Editor

BRITAIN must try to persuade its European partners to legislate for longer protection of pharmaceutical patents, says the Association of the British Pharmaceutical Industry, trade association for the drug companies.

The ABPI estimates British drug companies spent £668m on research and development last year, 13.7 per cent of the industry's gross output, compared with £612m in 1986.

Mr David Godfrey, ABPI president, says, "If we are to sustain our research endeavours we must also secure adequate patent cover for our products and processes.

"Today, by the time a new medicine reaches the market, usually more than half of the 20 years of patent protection has ticked away due to the safety tests and regulatory reviews."

The ABPI has welcomed a call by the European Federation of Pharmaceutical Industry Associations, for an effective patent term of 20 years from the date of marketing approval, throughout Europe.

Three pesticides banned

By David Fishlock, Science Editor

THE GOVERNMENT is banning three pesticides for their persistence, a property once sought by industry but now seen as potentially harmful to the environment.

The three pesticides – aldrin, dieldrin and chlordane – are all organo-chlorine compounds, and will no longer be allowed as pesticide ingredients in Britain after 1992.

They have already been largely displaced by more degradable compounds such as the pyrethroids.

Mr John MacGregor, agriculture minister, said the pesticides would be phased out from the end of this year. This followed tests which showed that their residues could contaminate potato and lettuce crops in particular.

Unions line up for attack on single European market

By Philip Bassett, Labour Editor

EUROPE'S PLANNED single market in 1992 will be the subject of a centrepiece debate, to be attended by Mr Jacques Delors, President of the European Commission, at the Trades Union Congress annual gathering, to be held in Bournemouth on the south coast of England next month.

Most of the resolutions on Europe contained in the Congress's draft agenda, published yesterday, are sceptical of, or openly hostile to, the single market.

For example, the MSF, the general technical union, draws attention to the market's "dangers and opportunities." It aims to put a consultative requirements on companies.

The UCW, the postal union, wants to establish opportunities for common, European-wide bargaining. Apex, the white-collar union, and the NGA, a print union, attack the British Government's approach to 1992 as "one-sided."

Bifu, the finance union, says plans are not accompanied by parallel measures to safeguard jobs and working conditions.

Only the STE, the telecommunications managers' union, is less than wholly critical. It says unions should organise across the single labour market 1992 would create.

The most contentious subject for debate at the Congress is likely to be the disciplinary action against the EETPU, the electricians' union, over its negotiation of single-union, no-strike agreements, with employers.

None the less, much of the TUC's agenda is forward-looking and avoids the conflict. The AEU engineering union, for example, puts forward a motion calling for a fresh approach to recruitment, involvement and image, to combat non-unionism and the small but growing trend of union derecognition.

Among other motions, the Musicians and Beta entertainment unions attack Government use of the 1973 Fair Trading Act to review working practices in the film and television industry.

Nucaps, a Civil Service union, faced by moves to abandon the unions' annual protest against derecognition at Government Communications Headquarters, Cheltenham, is seeking to bind the TUC to stage next year's march.

The National Union of Mineworkers wants to bind the TUC and Labour Party to a policy of complete repeal of all Tory employment legislation.

● The Labour Party should adopt a constructive approach to 1992, Mr John Edmonds, general secretary of the GMB, the general union, said.

UK NEWS

Car group poised to achieve steady growth over next 10 years, says report

Rover Group was 'exceptional value' for BAe

By Kevin Done, Motor Industry Correspondent

ROVER GROUP, the UK state-owned car maker which is shortly to be taken over by British Aerospace, is set to achieve a steady growth in profits throughout the next decade according to a major study by the Motor Industry Research Unit of the University of East Anglia.

The report by MIRU, one of the leading UK academic research centres into the motor industry, claims that Rover Group represents "exceptional value" and has been bought "at a very favourable price".

The report is based on a detailed analysis of the restructuring already carried out at Rover Group, previously British Leyland, and on its assumed future product plans.

It forecasts that Rover Group is about to move from a decade of chronic loss-making into a decade of sustained improvement in profitability.

Net profits could rise from £3m in 1988 to more than £200m in 1991 and around £400m in 1997, it says. BAe was buying "a potentially profitable asset", which would achieve "substantial net profits".

MIRU forecasts that Rover Group market share will stabilise in the UK at the present level of around 15 per cent, bringing to an end the heavy fall from the more than 40 per cent share commanded by British Leyland in 1968.

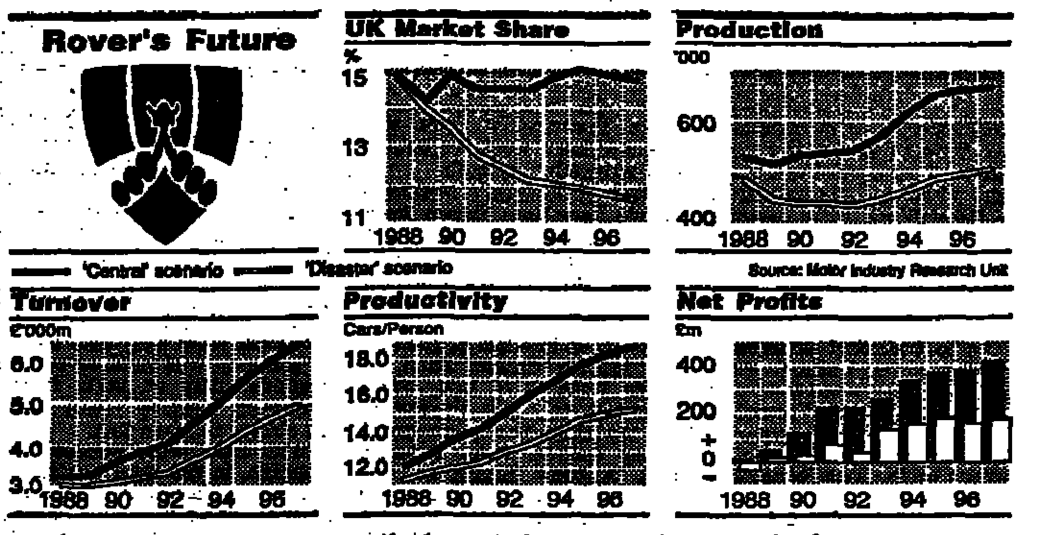
It will achieve sales growth in the rest of Europe, the US and other overseas markets, with group vehicle production, including Land Rover, rising unspectacularly from the early 1990s.

Vehicle output of some 531,000 units in 1988 could fall slightly next year before rising to 546,000 in 1992 and more than 650,000 in the second half of the 1990s.

Capital expenditure of £250m-£350m a year will be needed for most of the next decade as Austin Rover concentrates the production of small and medium cars at Longbridge, Birmingham and the assembly of executive cars at Cowley North works, Oxford. Rover's capital investment needs are "very substantial" because so little has been invested in the past, it says.

The MIRU report expects the Rover Group workforce to fall from around 48,000 this year to a level of some 35,000 in 1992, while productivity rises steadily to more than 18 cars per employee by 1996/97 from 12 cars per employee at present and only seven in 1985/86, before the company began a sweeping series of divestments.

It says that Rover Group has reduced the number of its components suppliers from 1,200 a few years ago to 700 at present and plans a further reduction to only 300.



In lifting part of the veil of secrecy over Rover Group's product plan for the 1990s, the MIRU report says that Land Rover is set to launch a new medium-range vehicle in 1990 to compete with Japanese rivals in the four-wheel drive sector such as the Mitsubishi Shogun and the Isuzu Trooper.

On the cars side MIRU expects Rover to continue its product development collaboration with Honda of Japan. "It is likely that Rover will have some of its own products topped up with Honda joint ventures."

If the relationship with Honda were to be severed in the early 1990s with Honda building its own assembly plant at Swindon, where it is already building an engine plant, Rover group could survive, says MIRU, but with declining profits from the mid-1990s.

Try as it might, the research unit has had great problems in creating a scenario in which the previously beleaguered UK car maker can manage to make a loss during the next decade.

It also provides further fuel for the argument that in their indecent haste to be rid of such a previously troublesome burden, Lord Young, Secretary of State for Trade and Industry, and the rest of the Government, have underestimated the progress already made and have given Rover away at a price that can scarcely be justified to the taxpayer.

Under its central scenario the report assumes a moderate growth of sales with a stable UK market share at just under 15 per cent. The Rover Group "becomes a specialist producer like Volvo or Saab whose products are viewed as standard not specialist in their domestic market...Rover will aim upmarket with an image target of BMW for the overseas markets, while supplying a complete range of vehicles in the UK domestic market."

MIRU suggests that European sales excluding the UK could rise by some 36 per cent over the 10 years 1987-97 from 110,000 units to around 140,000 units helped by the introduction from 1993 onwards of the R8/R9 and Rover 800 plus derivatives.

It is also optimistic about Rover Group's long-term prospects in the US, despite its sales setback with the top of the range Sterling this year, and suggests that US sales should exceed the 1987 level from 1991 increasing to 32,000 units in 1997. Range Rover US sales could almost triple to around 9,000 by the late 1990s.

Other MIRU scenarios look at the future of Rover Group without a replacement Metro in the late 1990s, without any relationship with Honda beyond 1992, with slower export sales growth, and finally, in the so-called disaster scenario, at a UK market share below 12 per cent.

Rover: Profile, Progress and Prospects. Motor Industry Research Unit, 2 Dove Street, Norwich, Norfolk NR2 1DE. Price £120 or $250 or DM 400 or Yen 35,000.

Life insurers dismiss doctors' criticism over AIDS testing

BY NICK BUNKER

A ROW over AIDS tests between doctors and the insurance industry showed signs of intensifying yesterday as the Association of British Insurers flatly dismissed criticisms of its procedures made by the British Medical Association.

The ABI – which represents about 425 insurers – said it was "surprised" that the BMA had not approached the industry before making a statement warning doctors against sending AIDS test results direct to life assurance companies.

The BMA said over the weekend that potential sufferers were in danger of learning that they had been exposed to the AIDS virus from letters from a company rather than from their physician. This could have damaging effects if he or she did not receive proper counselling, according to the BMA.

Its comments were prompted by an ABI recommendation that insurers should ask for blood test results to be sent direct from laboratories to their own Chief Medical Officers.

The recommendation takes the form of draft letter to applicants for life assurance who may need an AIDS test. It was produced by the ABI in May and contains a brief explanation of the significance of a test and an assurance that results will be confidential. It also includes a specimen testing consent form to be signed by the applicant.

Mr Roy Brimblecombe, chairman of the ABI's Life Insurance Council, said the ABI "fully agreed" with the BMA about the need for counselling. He said the draft letter recommended that there should be counselling regarding the implications of a test before the applicant consented to undergo one.

"If a test proves positive, the Chief Medical Officer will inform the doctor or clinic previously nominated by the applicant so that post-test counselling can be initiated," he added.

Mr Brimblecombe conceded, however, that some people may have first learned of their exposure ot AIDS in a letter from an insurer. "We can't be 100 per cent sure it hasn't happened," he said. "It may have happened in an isolated case, though it should not happen if an insurance company follows our guidelines."

Funds shortage kills money market settlements system

By David Lascelles, Banking Editor

An initiative to create an electronic clearing and settlement system for London's money markets collapsed yesterday because of a reluctance by banks to finance it.

The setback is an embarrassment for the City of London. It means that the markets, which handle billions of pounds worth of bills and money instruments every day, will continue to be settled by shuffling paper between dealers at a time when other financial centres have gone over to modern methods.

Mr David McWilliam, chief executive of LondonClear, the company set up to create and run the system, said last night: "This is a bitterly disappointing response. It is very difficult to understand because everyone believes in the strategic need for this initiative."

LondonClear was launched last year with the backing of 36 banks, including the Bank of England. By this summer it had prepared detailed plans for its systems and operations, and had begun to commission equipment.

But it failed to win the backing of enough banks to ensure sufficient funding, and LondonClear's board was forced to announce the suspension of operations yesterday.

The project was based on a projected membership of 76 banks and other users of the money markets, such as building societies and money brokers. But only 40 came forward. LondonClear also planned to sell £9m worth of loan notes to finance start-up costs. But the large clearing banks are believed to have offered to buy less than £1m worth.

The Committee of London and Scottish Bankers, the clearing banks' trade group, was consulted by the Bank of England in an effort to keep the project afloat. But LondonClear said last night that these discussions showed "that adequate funding would not be forthcoming."

A CLSB spokesman said that its members "were in favour of the concept in its original form but could not agree to it on the terms that were now being proposed." He declined to comment further. However, bankers are believed to have been concerned about the fast-rising cost of LondonClear whose total budget was most recently put at about £16m.

The clearing banks and the Bank of England still support the idea of introducing electronic systems into the City's money markets, and LondonClear's development work will be preserved for possible modification by a new initiative.

LondonClear's board said it hoped that it would be possible to implement in some form a facility which is seen as essential for London as an international financial centre."

'Stronger measures' call on ozone layer

By John Hunt

MUCH STRICTER curbs to prevent further pollution damage to the ozone layer are proposed in a report published today by the House of Lords committee on the European Communities.

The committee is demanding far tougher reductions in the use of chlorofluorocarbons (CFCs) than those envisaged by Britain and other EC countries. These substances are used in aerosols and as refrigerants and solvent cleaners, and are believed to damage the ozone layer.

The committee also makes public a strong warning to be contained in the forthcoming report of the Stratospheric Ozone Review Group, a body of scientists set up by the Department of the Environment and the Meteorological Office to give independent advice on the threat to the ozone layer.

The group warns that "unless emissions are reduced very much further, as a matter of urgency, it is likely that more severe depletion of stratospheric ozone will occur."

The ozone layer protects the earth from excessive exposure to ultra-violet radiation from the sun. Scientists believe its depletion could lead to an increase in radiation, which could in turn cause skin cancer and damage plant life. Some experts believe an ozone hole detected over the Antarctic has been caused by CFCs.

The committee recommends that production and consumption of CFCs should be reduced as soon as possible by 85 per cent in order to stabilise chlorine in the stratosphere.

This is similar to the position adopted by the environmental pressure group Friends of the Earth, and goes much further than the Montreal Protocol on reduction of CFCs adopted by Britain and other EC countries.

The committee is also seeking a ban on the use of CFCs in non-essential aerosols "since this is the quickest and easiest ways to produce a significant reduction."

Select Committee on the European Communities, 17th report. Session 1987-88; The Ozone Layer-Implementing the Montreal Protocol, HL Paper 94, £4.30.

Colleges export courses

By Ian Hamilton Fazey, Northern Correspondent

AN INNOVATIVE consortium of seven universities and five polytechnics has won a £14m contract from the Malaysian Government to provide undergraduate courses for 2,800 Malaysian students over the next three years.

The 12 institutions will prepare first-year syllabuses for use in Malaysia. Students who pass will then take up places in Britain. The plan has the twin merits of cutting the time students spend in the UK and increasing their chances

MANAGEMENT: Small Business

Picking the winners

A remarkably inexact science

Start-up appraisal techniques still fall short, reports Charles Batchelor

In just three years Blue Ridge Care, a manufacturer of disposable nappies, has emerged as one of the stars of the economic revival of Consett, the Durham steel town devastated by the closure of several of its main industries in the early 1980s.

Blue Ridge now ranks among the three largest British suppliers of throw-away nappies, with turnover last year of more than £14m and profits of £900,000. It has a workforce of more than 200 people, many of them former steel-workers, and has played an important part in the region's revitalisation.

To get to this point David Langston, Blue Care's founder, went through the battles which face most people who attempt to start a new business. Despite his experience with a large US textile group and the care he put into drawing up a business plan Langston faced many objections.

The market was unproven; he did not have a complete management team; and Langston, an American, had no track record of setting up an independent business, let alone in a peripheral and declining region of Britain.

Langston had to swallow a number of rejections before finally winning venture capital backing from the Development Capital Group; the rest of the financing then fell into place.

The contrast between Blue Ridge Care's current success and the difficulties it had getting off the ground are striking. Could no one have predicted the company's spectacular growth and taken much of the hassle out of getting started?

"If you could say ahead of time who would succeed, you would only make one telephone call and knock on one door," says Langston. "Likewise, if the financiers could conjure up the perfect investment they would save themselves a lot of tedium."

For all the effort that governments, bankers, venture capitalists and the small business community put into it, picking the winners remains a remarkably inexact science.

Venture capitalists skim the pool of small business talent for suitable projects to back – often rejecting 49 out of every 50 propositions put to them – but they still reckon on finding only one or two high flyers in a portfolio of 10 with a similar number of total flops and five or six worthy but unexciting investments.

The present techniques that are used for picking the winners involve a combination of objective analysis and subjective judgment. The objectivity comes in assessing the financial ratios of the business; the judgment in weighing up the product, the market and the individual.

With the new venture without a track record, the individual and his team, if he has one, are by common consent the crucial factor. "We look at the people first and then at the numbers," says Richard Kemp, a director of Brown Shipley Development Capital.

What Kemp wants from a businessman is "commitment, a track record and the ability to explain his business idea. He has to know the product, the market and the competition."

Deciding who to back "is all about people," says David Thorp, director responsible for start-ups at 3i, the venture capital group. "Relevant experience is the key," he adds. "The person involved must have had profit accountability and, if it is a team of managers, they must have shaken down together somewhere before."

Yet try as they might, the venture capitalists, the bankers and other backers of small business still manage to get it wrong far more often than they would like. In a soon-to-be published study of small business, Paul Foley, a researcher at Sheffield University, lists luck alongside more formal criteria as a factor in business success.

Is it likely that a reliable predictive system could be developed, offering, for example, banks the possibility of reducing their failure rates and the Government the facility to channel more resources towards companies deemed most likely to grow?

David Storey, director of research at Warwick University's Small Business Centre, has completed several studies of small company performance in recent years and last year launched a scoring system which, he claimed, could predict the likelihood of a company survival with a 75 per cent degree of accuracy. The system involved combining several of the traditional financial ratios and a number of other indicators – the exact combination is a secret – to forecast future performance.

Attempts to persuade one of the clearing banks to take up the system failed however because the banks already had their own methods of performance measurement. Despite the accuracy claimed for the system, Storey concedes it is an addition to rather than a substitute for the judgment of the bank manager or the loan executive.

A recent study by Storey, entitled Fast Growth Business in Northern England*, found that the more successful firms were characterised by the level of ambition of their founders. The fast growers emphasised profitability, market share and sales while slower growth business owners stressed job satisfaction and life-style.

The most successful companies were managed by people with marketing skills who were more aware of their own strengths and weaknesses and the activities of their competitors than their less successful counterparts. The successes were more aware of the need to keep updating their product range or services and were also more likely to be exporting.

But more striking than the differences between the high flyers and the laggards were the similarities. The founders of both types of company were predominantly male, aged between 35 and 45, had A levels, Ordinary or Higher National Diplomas rather than a degree and had previously worked as a manager in a small or medium-sized firm in the same sector.

"The winners look very similar to the losers," confirms Bert Nicholson, industrial development director of the Central Regional Council in Scotland. "The same factors can produce success or failure. The bulk of companies in the middle will probably be OK."

An even greater problem for the investor trying to pick the winners is the likelihood of even the most successful firm running into difficulties along the way. "Even if you get the first stage right a company will often have a knife-edge experience 18 months out when the initial capital has been used up and the credibility of the management team is questioned," says 3i's David Thorp.

The best that can be hoped for, in the view of many people who have looked at this question, is to eliminate the losers.

For some of the organisations involved in backing and advising small business, particularly those with social as well as commercial aims, it is often enough to find the survivors.

"We are looking to turn marginal projects into ones which are backable," says Roger Thackery, chief executive of BSC (Industry).

But even for those organisations, such as the enterprise agencies which deal with the more modest small business proposals, finding the high-flyers is becoming more important. Faced with cuts in Government spending and demands from their private sector backers for tangible results, the agencies are keen to prove they can spot winners.

Government programmes aimed at supporting small business have started to shift to helping the established company rather than the start-up. The established company will not only provide a faster payback in terms of jobs, it removes much of the guesswork involved in assessing start-up businesses.

For, however much the investors refine their techniques, backing small business remains a risky matter. "The conventional mind is appalled that hundreds of thousands of companies are set up and go bust each year," says Graham Bannock, a consultant specialising in small business issues. "But it seems to be necessary because you can't predict success."

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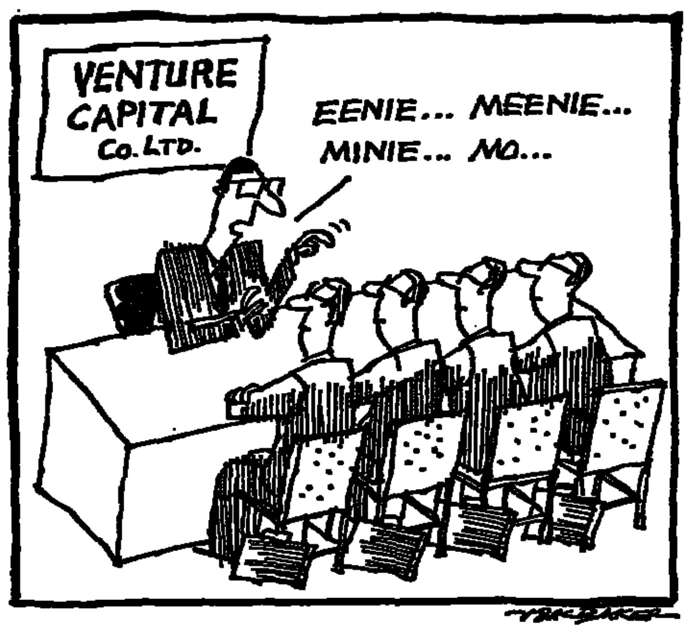

THOSE people who complain that Britain lacks the role models of successful entrepreneurs which are so common in the US will get little comfort from Secrets of Success: What You Can Learn From Britain's Entrepreneurs,* Clive Rassam's study of 39 successful businessmen and women.

The portrait that emerges is of hardworking, unflamboyant characters who shun publicity and, unlike their Victorian and American counterparts, have no interest in becoming patrons of the arts, education or architecture.

"They are rarely civic figures and have little time for politics and politicians," says Rassam. The typical entrepreneur has a minimal understanding of the social and political framework in which he operates; a framework in which wealth won on the pools or inherited is still regarded more favourably than the fruits of hard work, ingenuity and marketing aplomb.

Most of Rassam's business-people have been chosen from the ranks of those who have taken their companies public, usually through the Unlisted Securities Market, in the past 10 years.

He takes in some of the better known names such as Anita Roddick of Body Shop International, Bob Payton of the My Kinda Town restaurant group and Sir Peter Osborne and Antony Little of the Osborne & Little wallpaper and fabrics business. He also includes less well known figures such as Roger Brooke, founder of Candover Investments, the management buy-out group, and Torquil Norman, who set up Bluebird Toys.

Finding a common thread in the backgrounds and personalities of these entrepreneurs is not easy and Rassam cannot avoid the occasional lapse into oversimplification.

But by and large his subjects do not conform; many left large organisations in frustration and a little resentfully; and they do not adhere to conventional management methods. What they also have in common was holding early responsibility at their first employer, relative youth and an ability to learn fast.

Why they were successful remains, in the final analysis, a mystery. Rassam advances several, quite mundane ideas of his own, such as their choice of able and complementary partners and their cautious beginnings. More of the flavour of their success comes through from the lengthy individual profiles.

**Sidgwick & Jackson, 296 pages, £15.*

Tax

Right first time

Charles Batchelor on presenting accounts

AVOIDING trouble with the taxman can be as much a question of how a business presents its accounts as of what they contain. Once an inspector comes across a set of accounts which appear suspicious it will be difficult to convince him they really do represent a true and complete statement of a business's activities.

"Once an inspector has begun a critical examination he will be like the proverbial dog with a bone," warns Small Business Tax and Finance, a monthly newsletter for accountants and financial advisers.

Often the accountant and his client come to realise it may be cheaper to pay up than argue the toss, however honest the businessman or careful the accountant, the newsletter says. Accounts must therefore be presented in way to ensure that the inspector's original rapid scrutiny leads to them ending up on the 'accounts to be agreed' pile.

On his rapid scrutiny the inspector is searching for anything which looks odd; a freelance earning far less than would be needed to live on; a business producing a far lower rate of profit than is normal for its neighbourhood or its sector; a business where a particular expense item suddenly rises sharply.

There may be perfectly good explanations for all these events; the freelance might be living off a redundancy payment while his business gets established; the special nature of a business's product line might produce lower profits than apparently similar businesses; the rise in, say, vehicle running expenses, might result from a retailer buying at cash and carry warehouses instead of having purchases delivered by wholesalers.

The businessman and his accountant might argue that if the inspector wanted to know why the change had occurred or why the business did not conform to accepted norms he could ask. But by then the business's papers will be on the pile marked 'accounts for critical examination' and months of discussions and worry might follow.

The newsletter advises accountants to discuss any apparently suspicious features with their clients but business-people should be aware of the possible pitfalls too.

** From Gee & Co (Publishers) Ltd, 7 Swallow Place, London W1R 8AB. Annual subscription £45.*

In brief. . .

■ VENTURE CAPITAL has been in short supply in many regions outside the South-East but now the numbers of local funds are starting to grow. Somerset *County Council Pension Fund* has launched a £2m enterprise fund to provide start-up, expansion and management buy-out finance.

The new fund, to be managed by MIM Development Capital, part of MIM Britannia, expects to invest sums of between £100,000 and £250,000.

Contact: Richard Connell, Somerset Enterprise Fund, PO Box 183, Taunton, Somerset TA1 4DT. Tel 0823 337048.

■ A STUDY group to examine the training needs of small businesses has been set up by the CBI.

It will look at the different training needs a company faces as it grows; at whether individuals get the training they need; and investigate the cost of training courses, the availability of government grants and the amount small firms are prepared to pay.

■ LARGE companies in *Britain have been reluctant* to forge informal links with smaller businesses to share technology and expertise though corporate venturing is well-established in the US.

Philips Electronics, part of the Dutch electrical group, hopes it can broaden such contacts through an operation agreement with two British venture capital companies, Oakland Capital Management and Baronsmead Associates.

Philips wants links with smaller firms developing or marketing products and technologies in the defence, medical, communications and other fields.

Contact Peter Forster, Philips Electronics, Tel 01-436 4044; Richard Carver, Oakland Tel 0488 83555; or Ann Yellowlees, Baronsmead 01 638 1700.

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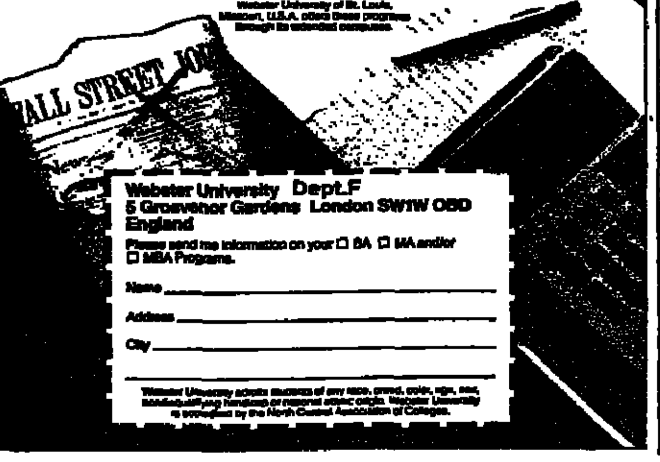

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TECHNOLOGY

When lightness pays

"LET'S see what it can do," says the aircraft designer, throwing the precious product to the floor and stamping on it. But the crushed plastic springs back into shape uncracked.

Harry Pentney tells the story with relish, for it illustrates everything he is claiming about his reinforced plastic tubes. His market is aerospace because, as he puts it, a pound saved on the weight of a military aircraft is worth £500.

He is one of four former Raychem executives who two years ago formed a high-technology company in the aerospace business. Called Shrinemark and based in the Cotswolds, the company's technology base – unwanted by Raychem – is knowledge of how to make small-bore, uncrushable tubes. The tubes are made of thermoplastic materials, reinforced with braided fibres of carbon, Kevlar or glass. The process combines time-honoured textile practice with polymer science.

Shrinemark produces long tubes – round or elliptical in section – of the kind that interest aircraft designers. The tubes can be squashed flat to squeeze into awkward recesses, but once in place they will spring back into shape.

Pentney says an example of their robustness is that they can resist slopped Coca Cola, a corrosive which can wreak havoc with aluminium fittings in aircraft galleys. But the big selling point is lightness.

The company pitched initially for aircraft cooling ducts, of the kind used to ventilate the cabin and to pipe cooling air to electronic systems. But soon it was invited to tender for fuel pipes, a bigger challenge because of the strict safety standards.

In the EH 101 helicopter, under development for the Defence Ministry, there is a potential 50 metres of air and fuel ducting for which it may be invited to tender. Other challenges include uncorrodible telescopic arms to suspend submarine sensors for the navy.

The quartet launched the company with their own money, but have just obtained a £150,000 injection from Hambros Advanced Technology Trust. Pentney forecasts sales of £600,000 this year.

The Department of Trade and Industry helped fund one of the development projects, but it was a time-consuming business

Pentney has higher hopes of Smart, the DTI's small firms merit award for science and technology, aimed at projects that would be too risky for more conventional sources of cash.

Shrinemark has proposed a project to design and test-market a device called a P-clip, which is used by the hundred in every aircraft to secure the wiring. The customary metal P-clip weighs 13 grams. Shrinemark plans to make a clip of reinforced thermoplastic weighing only 3 grams.

David Fishlock

A contemporary role for the box office

Paul Abrahams finds that computers have become an important marketing tool at arts venues

The Royal Opera House in London's Covent Garden is becoming more modern. Not that the programme is radically changing – Don Giovanni is playing this season; rather, new technology is appearing in the box office.

The investment is part of an international trend. From Madison Square Gardens in New York to Sydney Opera House in Australia, computer booking systems have been installed.

The UK theatre industry believes computers will improve marketing techniques as well as making it easier to purchase tickets. Thanks to the new systems, customers in the US or on the Continent can book tickets for the West End by telephone.

"In the 1980s, almost every major US venue has been computerised," *says Fred Rosen, chairman of Ticket*master, of California, the leading US supplier of computerised box office systems. Rosen estimates that $1bn (£580m) of tickets will be sold through computer systems in the US this year.

Now, after a long wait, the European market is beginning to move, according to Karl Sydow, director of First Call, a subsidiary of London-based company Space-Time Systems which claims to have supplied 70 per cent of the UK's computerised theatre ticketing systems.

"The changes in arts funding and increasing professionalism of theatre management mean that performance centres have to be much more aware of the customer and the first point of contact is the box office," says Sydow.

He argues that the computers are an important marketing tool. Until recently, few venues had any idea who their audiences were. Managers in London's West End and on Broadway in New York are now using them to build up customer profile databases from the names and addresses of credit card customers.

"Companies like the Royal Shakespeare Company and Covent Garden are not interested in one-off sales," says Sydow. "They want to sell series of performances and subscription *schemes. With a database of member*ship addresses they can target individuals who attend particular types of performances, rather than wasting money on national advertising."

Another attraction is that seats can be booked much further ahead. For example, the system has produced a dramatic improvement for the Concertgebouw in Amsterdam, which previously was only able to sell tickets for two weeks in advance because the booking office drawers could hold no more ticket books.

Theatre managers have found that the computers also help to increase sales. Jules Boardman, managing director of Ticketmaster, a majority-owned subsidiary of Associated Newspapers, points out that computer-based systems are much more effective at allocating seats.

Simon Girdler, one of the supervisors at the Royal Opera House in Covent Garden, says that telephone sales, the postal department and the box office are now linked through the Space-Time system.

Previously, when the telephone sales department ran out of tickets, somebody would have to run down stairs to see if any tickets were left in the other departments.

The box office can also react more *quickly to demand.* "*When we have* somebody like Placido Domingo singing, we receive hundreds of thousands of applications. Processing them by hand took days," says Girdler.

Sales are automatically fed into the Royal Opera House's accounting system. "Reconciling the accounts with the tickets stubs used to be very difficult. Everything had to balance and if a single stub was lost it could be murder to make sure it all totted up."

Among the the benefits for customers is the ability to book seats in one theatre for another, including being able to see seating plans on screen.

There are also links between theatres and independent bureaux. In the UK, some theatres use terminals connected to the two main bureaux, Ticketmaster and First Call.

Ticketmaster provides a service called Viewticket which links up with travel agents, including about 200 branches of W. H. Smith Travel. This makes it possible to access the plan of theatres and concert halls elsewhere in the UK when booking tickets.

One of the main advantages of the bureaux is cost. The Digital Equipment Vax computers and other equipment for stand alone systems can cost from £40,000 to £1m, depending on the number of terminals and the amount of power required.

Even the personal computer-based systems, supplied by Rita, a company jointly owned by the Royal Shakespeare Company and British Telecom, can cost £30,000 for six workstations.

Computerised box office systems are also being used in the UK cinema industry. Jim Whittell, managing director of Odeon Cinemas, a subsidiary of the Rank Organisation, says that each of its cinemas will have computers by the end of the year. It has installed a PC-based system using Israeli software called Cats (Computerised Automatic Ticket Sales)

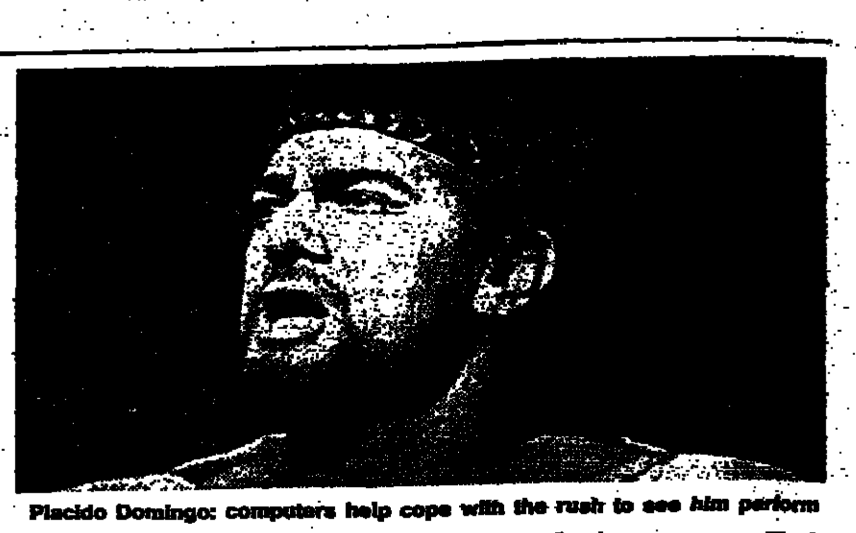
Britain has the highest attendance rate per cinema in Europe: audiences have increased by 39 per cent in the last four years. Cinema chains hope that advance booking through computers will reduce both queueing and ticket touting (or "scalping" as it is known in the US).

AMC, the Kansas-based cinema chain which has four multiplex cinemas in the UK, has also been investing in computer systems, though the main motivation has been on marketing. Millard Ochs, UK director of operations, says: "We can record the age-groups going to cinemas, allowing us to target certain types of films. What's more, we can see which films are doing well on a day-by-day basis."

However, not all managers are convinced of the immediate benefits of computerisation. David Marsland, deputy box office controller at Stoll Moss Theatres, which runs a third of West End theatres, has been looking at automated box office systems for the last two years.

"West End *ticketing is so complex* that the current systems can't cope or tend to be too slow," says Marsland. "We also think their security and reliability are questionable."

"The technology is moving forward so quickly, the risk is that we invest in a less than perfect set-up and then end up kicking ourselves when the definitive system arrives."



Placido Domingo: computers help cope with the rush to see *him perform*

WORTH WATCHING

Edited by Geoffrey Charlish

A sizeable step for the flat TV

THE SIZE of flat screen colour televisions, which has been hovering at three to four inches for the displays, has taken a notable step upwards. Sharp of Osaka, in Japan, has just revealed the development of a 14-inch unit.

Sharp will say nothing about the price at which it will be sold, but it is likely to be considerably more than a conventional 14-inch colour tube.

The television will go into mass production in the summer of next year. So by the autumn it can be assumed that the first "hang-on-the-wall" sets will appear on the Japanese market.

The display is only 27mm thick (just over an inch) and can produce pictures with more than 300,000 pixels (individual picture elements). This is roughly the definition produced by domestic video cameras, but less than European broadcast television standards (roughly 0.5m pixels).

Thin film technology is used in this new liquid crystal unit, with pixel control transistors laid down over the whole screen area. The technology simplifies the control of individual pixels from addressing units on the edges of the screen.

Laser amplifies light signals

A TEAM at GTE Laboratories in the US has developed a laser, made from glass fibre, that is able to amplify light signals in the waveband range - 1,300 to 1,340 nanometres — usually employed in telecoms. (A nanometre is a thousand millionth of a metre.)

A commercial device may be some years away. However, the development opens up the prospect of simply splicing in a length of fibre and providing it with the necessary external light "pump" to produce laser action.

At present, amplification can only be produced by converting the digital light pulses back into electrical pulses and using normal electronic amplifiers. These "repeaters" are placed at intervals of perhaps 25km and can cost $30,000 (£18,000). The GTE team says it will be able to make optical amplifiers for much less.

The fibre uses glass which is based not on the usual silica, but on *neodymium-doped* fluorozirconate. GTE believes the material eventually could be instrumental in piping light signals representing huge amounts of information to offices and homes.

New bearing for opposing thrusts

FOR applications such as jet engines, where the main shaft may be subjected to forward or backward loads along its length, The Timken Company in the US has developed a tapered roller bearing that can take these axial thrusts in either direction.

Tapered roller bearings are used where shafts have to take end thrusts while maintaining easy rotation. But if these thrusts can arise in either direction then, to date, two opposing bearings have had to be used.

With a combination of design, a special steel and careful lubrication, Timken has produced a bearing with a single row of rollers that will stand up to the rigours of a modern military gas turbine.

Although this is a somewhat specialised area of bearing application, Timken believes other machine designers may be interested in the development.

Gear changes without footwork

AN AUTOMATED manual gearbox for road vehicles is *being developed by* Automotive Products, of the UK, as a lower cost alternative to full automatic transmission. AP is working with an undisclosed European vehicle maker and full production is expected in 1991.

The automatic clutch and throttle system, ACTS, replaces the clutch pedal with electronically controlled linkages to a normal clutch and engine. As the driver moves the gear lever, a microprocessor controls the disengagement and re-engagement of a standard clutch, synchronising engine speed to suit the gear selected and eliminating the need for any movement of the accelerator pedal.

Competitiveness by the book

A NEW book, entitled Competitive Manufacturing, deals with the need for companies to re-examine their manufacturing strategy in the light of modern technology and market conditions.

It avoids the normal text book attitudes and suggests that the reader, or more probably a company manufacturing team, go through a three-stage routine. It includes worksheets that have to be filled in before proceeding.

After stage one, the team should be aware of its present market position for the company's products. Stage two calls for thorough assessment of the manufacturing operation, while stage three is about developing a new strategy.

Published by IFS Publications of Bedford for the UK Department of Trade and Industry, the 77-page, A4-sized book costs £14.95.

CONTACTS: Sharp: Japan, 6 621 1221. GTE Laboratories: US, (617) 466 2329. Timken: British Timken is on 0604 52311. Automotive Products: UK, 0926 27000. IFS Publications: UK, 0234 853605.

The dealer who collected a winning hand

William Packer reviews the first exhibition of the full collection of Heinz Berggruen

Heinz Berggruen was born in Berlin in 1914. His first interest was medieval art, which he studied in France, spending two years at the universities of Grenoble and Toulouse, before returning to Berlin in 1934 still uncommitted to a career.

In 1937 he obtained a scholarship to the University of California, again to study the visual arts, and he stayed on for a while as a critic and then a museum curator, becoming an American citizen. He served in the American army during the Second World War, but then returned to France, where at last he found his vocation and has remained ever since.

In 1948 he set up in Paris as a dealer in modern art, and graphic art in particular, in which field he soon

Berggruen was lucky enough to begin his double career in the right city at the right time

Les Poseuses by Seurat (the second version of 1888)

led. But he became more than just a dealer, however distinguished. He has also proved to be a great collector, (indeed, Berggruen's life as a collector was covered in the *Weekend FT* on Saturday) though his collection is neither extensive in itself nor widely known. Certainly it has never been shown before in its entirety, which is enough to make the current exhibition, at the Musee d'art et d'histoire in Geneva (under the auspices of the newly-formed Fondation GenevArt: until October 30, daily except Mondays), one of the major events of the art year.

The dealer's and the collector's gifts do not necessarily coincide: indeed, they are often contradictory, for how could the true dealer not make his coup, and how could the true collector ever bear to lose his prize? The trick, in Berggruen's case, would seem to be the strictest separation of the activities, and dealing only rarely in the artists he collected. He was also lucky enough to begin his double career in the right city at the right time, when clients were as few as the galleries that served them, when great art was in prolific supply – and, by present measure, to be had for tuppence, or tuppence ha'penny at a pinch – and with the great artists themselves close at hand.

In particular, through his dealings in his prints, he became a close personal friend of Picasso, and it is in the work of Picasso that he has his largest holding in a single artist. In fact, in terms both of numbers and comprehensive quality, at least up to the early 1950s, it is one of the most important Picasso collections still in private hands. But then, though they are not quite so extensive, the same might as well be said of his groups of Seurat, Cezanne, Matisse and Klee. For the second of Berggruen's secrets has been a strict concentration of his connoisseurship.

For the rest there are some fine Oceanic and African primitive sculptures, a good group of Giacometti, a couple by Laurens and an eccentric ceramic piece, a maquette for an oriental patio, by Dufy. Two paintings each by Braque, Bonnard and Miro make up the number. And yet, small as these minor representations are, the choice is the point. The Braques, both of them analytical Cubist canvasses c.1912, are necessary complements to his Picassos of the same period. The Bonnards are characteristic, and the early Miro, c.1925, "The Dialogue of the Insects," is a masterpiece of burgeoning Surrealism.

However, these are hors d'oeuvres, and it must be to those artists here more fully represented that we turn for the main courses. The first room is full of Seurat of the 1880s – on the one hand a group of exquisite oil sketches, including studies for "La Grande Jatte" and "La Baignade:" on the other a run of his simple and monumental chiaroscuro drawings.

But the two somewhat larger canvasses dominate the room, each a definitive example of mature pointillism. The deserted sunlit foreshore at Gravelines of 1890 is remarkable enough for the subtlety and freedom

The dealer's and the collector's gifts do not necessarily coincide: they are often contradictory

of expression, of light and air and space, achieved within so strict a formal discipline.

More extraordinary still is "Les Poseuses" (in the second version of 1888). The same model strikes three poses in the studio, sitting at rest with her back turned, standing at ease before us and then sitting again, now in profile. Behind in the studio is the painting within the painting, the right-hand corner of Seurat's own huge "Grande Jatte," that must occupy the entire wall. It is a rich and complex work, with every mark and emphasis considered and necessary, and yet how light it is, how clear and simple.

Then comes Cezanne, with each work as characteristic of its place in the career as it is remarkable in itself. A fine Mont Sainte-Victoire, a late watercolour of the gardener Vallier, a Jug and Fruit still-life, a tiny fragment, head and shoulders only, of a young girl with her hair down, this last the earliest of Berggruen's Cezannes and one of his more recent purchases – it is remarkable how much of the collection has come together well within these past 20 years. But most beautiful of his Cezannes is the first that he acquired, a disarmingly simple portrait study of his wife, full face, with her hair tied back with what would seem some severity in less sensitive and affectionate a statement.

And so we come back to Picasso, something over 40 per cent of the collection. The strength lies very much with the earlier periods. A fine symbolist pastel of a pair of lovers at a Cafe Concert (1902) marks the transitional Blue Period, and there are splendid examples, both on paper and canvas, of exploratory work around the time of "Les Demoiselles d'Avignon," including a definitive study for one of the principal beauties.

The development through to Cubism, too, is covered by major works, including a long still-life on a piano (c.1912) and a portrait of his partner, Braque (c.1910). Then come some classical images of the 1920s, notably a small panel of a female head and a monumental seated nude, picking her toes, and some vigorously surreal portrait heads of the 1930s.

Of these, that of his mistress, Dora Maar, is far from grotesque and oddly touching. In the light of current controversy concerning the Old Goat's relations with his many women, such tenderness, ambivalent as it may be, is reassuring. The most poignant and tender image in the entire collection is perhaps his drawing of 1942, again with Dora Maar as model, which shows the eternal woman watching calmly over her lover as he sleeps.

A Mass of Life

ALBERT HALL

With its slow unfolding of a luxuriant and grand design, Delius' *A Mass of Life* might well have been written for a sultry, unhurried Sunday night at the Proms. The work breathes and sounds right in this generous acoustic, so that if ever it was going to be convincing, this would surely be the time and place; and yet this performance, no less than others before it, failed to live up to the claims made for the piece by its admirers.

Excerpts from Nietzsche's *Zarathustra* form the text. The point has often been made that the score should not be judged as an attempt at setting philosophy to music, because it was the poetry and atmosphere in Nietzsche to which Delius responded, rather than the ideas. But whenever one hopes that the composer will rise above himself to match the enormity of the words, all we get is more of the same: typically sun-soaked textures, rolling into a hazy distance.

The only time that the score breaks out of this mood is in Zarathustra's solos. A closer contact with Nietzsche's words here may not bring any intellectual grip on the issues, but it does replace a vague aura of contentment with the stronger feelings of man's highest aspirations: it is a challenging role, the lion's share indeed of the whole piece, and this performance might well have seemed different if Neil Howlett had found for it greater authority and a more commanding vocal presence.

Instead all too much of the evening slipped past in a mild and unassuming manner, as though the score was frightened to stand up and claim our attention. Sir Charles Groves does not invest the choral outbursts with the energy and thirst for life that Beecham, the first conductor of *A Mass of Life*, did. His value as an interpreter lies rather in the ability to lead his listeners on a relaxed and patient tour through an authentic Delius sound-world.

To this end The Royal Philharmonic Orchestra provided the most notable pleasures of the evening, with playing that was consistently well-balanced and golden in tone. There was a fine trio of other soloists in Alison Hargan (soprano), Sarah Walker (mezzo) and Laurence Dale (tenor) and the combined forces of the BBC Singers, BBC Symphony Chorus and London Choral Society brought weight of numbers to the choral sections. With the whole ensemble in full cry the last climax was undeniably ecstatic, but by then it was late in the day.

Richard Fairman

I Fought Yuppie Zombies From Hell

ALEXANDRA PARK

The collapse of the Festival of London last week left two survivors: the Moscow State Circus and, nestling beside it in a somewhat smaller top, London's own Bubble Theatre.

Michael Coveney has written eloquently on this page about the virtues of the Russian troupe; Bubble, a touring company founded in 1972 on the initiative of Greater London Arts, is in a different league.

Its four-day stay at Alexandra Park came in the middle of a three-month summer tour with two main shows, a children's play and a late-night cabaret. This places *A Midsummer Night's Dream* alongside a rock horror musical rejoicing in the title *I fought Yuppie Zombies from Hell*. Both are directed by Peter Rowe in a Bubble style that marries wacky exuberance with solid all-round accomplishment.

The high point of a freely, though affectionately adapted Dream comes with the transformation of the Pyramus and Thisbe interlude into a chamber opera performed for Theseus and Hippolyta by a catering corps starring Bottom the Lardy Caribbean cook and Hilda Snout, the washer-up.

Yuppie Zombies is an altogether more vituperative piece, written by Alan Gilbey with music by Alan Ellis in a parody of styles. It opens with a protest over the development of Alexandra Park by Arkhan Investments, during which the company chairman is found skewered by a gold-plated model of one of his own tower blocks. So starts a transcendental whodunnit involving a dead-end detective (Conrad Schwarz) and a conservationist (Sarah Davison) in a fight against world takeover by the hellhounds of international business conglomerates.

Sophistication is not a charge one could lay at the door of a show that targets everything from new technology to old-fashioned municipal double dealing, from city whizz kids snorting coke over the stock market latest to architects locked up in a lunatic asylum "because every one of them claims it was the other who did the tower blocks."

There is a danger that the structure of the piece will buckle for sheer overplus of knavery. That it doesn't is due to the centripetal energies of superb performers who glide from the stage to the backing band, from a Chas and Dave-style pub number thumped out by Liz Kitchen as a raucous East End granny to a call-and-response indoctrination rap led by a stony-faced Liza Stenz with the exhortation "FT good for me. Dow Jones in my bones."

At the sharp end of the show is a scattering of memorable one-liners. "I hope you don't think you're getting a virgin," cries Sarah Davison, as she is carried off for sacrifice. "Looking back at my life," opines Conrad Schwarz's amiably rumpled detective, "it's like a kitten in a liquidiser: short, bloody and good for a quick laugh." He might be reviewing Yuppie Zombies.

Claire Armitstead

Self-help calls the tune for triumphant Torquato

BUXTON FESTIVAL

Like the lady in *Follies*, the Buxton Festival may have had its ups and downs, but it's still here – and thank heavens, or rather a handful of dedicated and hardworking individuals, for that.

Over the years it has proved its worth time and again with stimulating re-evaluations, often brilliantly staged, of operas on the fringe of the repertory – Thomas's *Hamlet*, Berlioz's *Béatrice et Bénédict*, Cherubini's *Médée* – and it has given ample demonstration of Thatcherite self-help: only 9 per cent of its income comes from public funds, and none of that from the Arts Council.

Yet even a modest grant from the ACGB, apart from being a long overdue vote of confidence, would enable the management to plan further ahead: by the time a year's sponsors have been corralled, too many artists and directors have been snaffled up elsewhere.

After a year or two of rather more downs than ups, the tenth festival, which runs until Sunday, faithfully reflects the record, with one bull's-eye and one fairly honourable failure. The good news first: thanks to canny production (Malcolm Fraser), excellent musical direction (Carlo Rizzi) and a fine cast, Donizetti's *Torquato Tasso* can no longer be written off as a poor relation in the composer's canon.

Hitherto the piece's *semiseria* form has been judged the main stumbling-block: how can you take the tragic love story of the poet and the Duchess Eleanora d'Este seriously when *opera buffa* writing informs both one whole character and much of the chorus work?

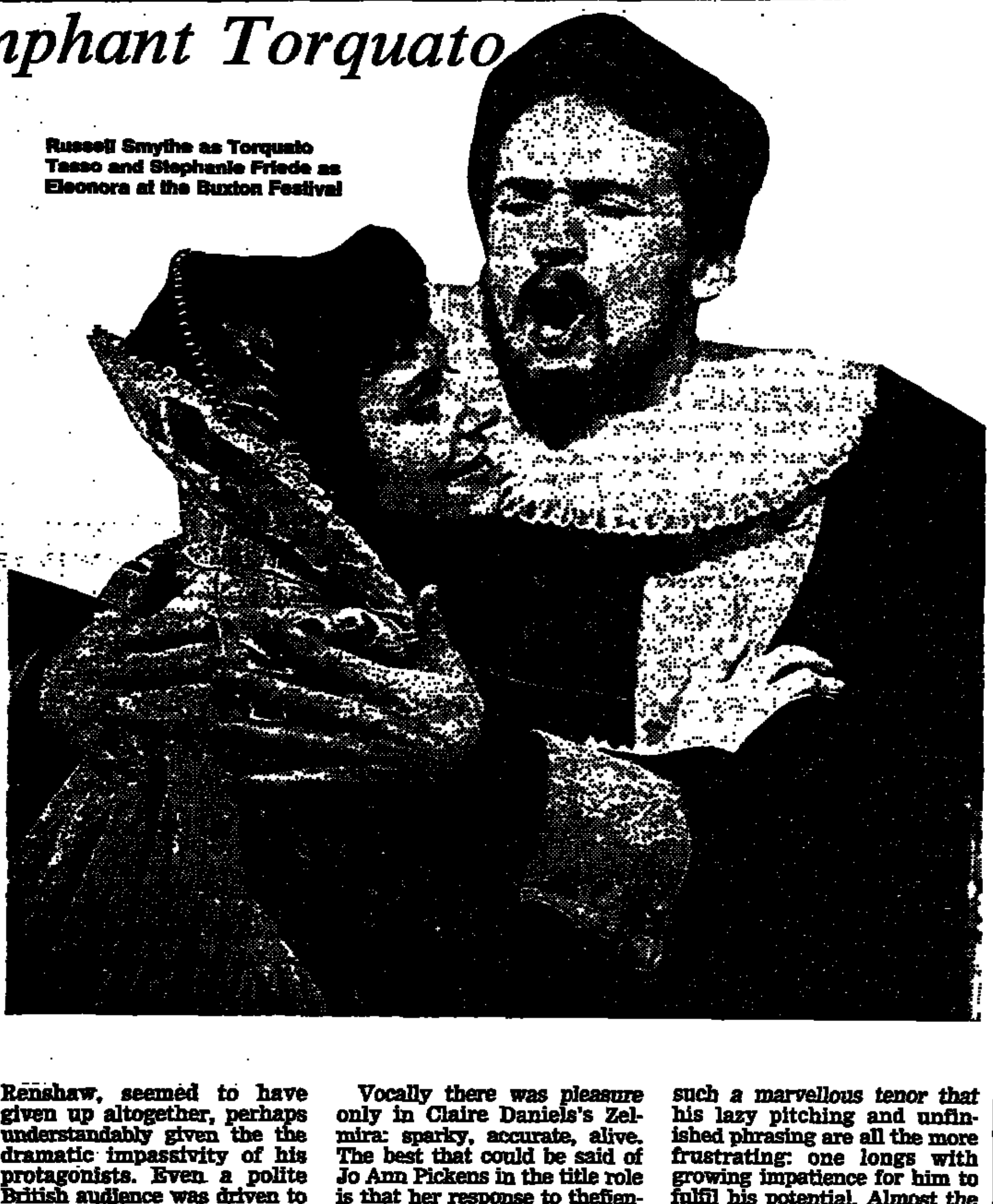
Mr Fraser turns the supposed drawback to positive advantage in two ways. First, the fatuous courtier Don Gherardo is played absolutely straight while his music remains comic, and in Steven Page's virtuoso performance the character took on genuine and sinister malevolence. Second, the action is presented in flashback from the moment in the finale when Tasso learns of Eleanora's death; Roger Butlin's handsome, shadowy set and Leonard Tucker's clever lighting combine to create an atmosphere of nightmare expressionism to which the *buffa* musical element contributes creepily. Donizetti himself expressed doubts about the piece's viability, but on this evidence they were groundless: Tasso emerges as a powerful and affecting music drama.

'Donizetti himself expressed doubts about the piece's viability, but on this evidence they were groundless'

Mr Rizzi, a young Milanese conductor with enviable experience in early *ottocento* opera, showed that he knows just what this sort of music is for. He caught unerringly not only Donizetti's elegance and fastidious musicality, but also his energy, and that indefinable quality of almost shy holding back, of hesitant retention that I for one find incredibly sexy.

Add the Manchester Camerata following their conductor's lead with understanding and obvious enthusiasm, and the singers had ideal support. Stephanie Friede brought clear, bright soprano tone that expanded excitingly at the top and thrilling agility to her Eleonora; the brilliance of her cabaletta made one regret even more the omission of the second verse (such snippings were the only blot on the musical performance). Both she and Russell Smythe, singing the title role with passion and commitment (if his Italian vowels were more openly produced his baritone would sound even more buoyant), suggested the nervous instability of their characters with subtle economy.

Alasdair Elliot's free, flexible high tenor saw him safely through the villainous Roberto's role (including one stunningly precise arpeggio) and while his tone is not conventionally beautiful, he convinces you that his is the sort of agile, contained voice for which Donizetti and Bellini wrote – he sounded more "authentic" to me than any other tenor I have heard in music of this period. All in all, a wonderful evening.



Russell Smythe as Torquato Tasso and Stephanie Friede as Eleonora at the Buxton Festival

Haydn's *Armida*, being given its UK premiere, complemented the festival theme of the epic poets Tasso and Byron. The piece is eminently worth airing: the third act, set in the enchanted grove, is pure gold throughout, with nature music of Gluckian eloquence and simplicity. Rinaldo has a powerful *scena* in the second act. The problems are a clumsily constructed libretto and a first act that is only workmanlike, though with this composer "workmanlike" is good enough for most of us.

However, the problems were neither solved nor scarcely even faced. Liz da Costa's decor, in depressing junk-room style complete with dustsheets, was an inadequate response to both music and subject matter, and the producer, Christopher Renshaw, seemed to have given up altogether, perhaps understandably given the the dramatic impassivity of his protagonists. Even a polite British audience was driven to giggles by the third act: in Europe the show would have been whistled off the stage.

Vocally there was pleasure only in Claire Daniels's Zelmira: sparky, accurate, alive. The best that could be said of Jo Ann Pickens in the title role is that her response to thefiendishly difficult writing was honourable, no more. Jeffrey Talbot (Rinaldo) is so nearly such a marvellous tenor that his lazy pitching and unfinished phrasing are all the more frustrating: one longs with growing impatience for him to fulfil his potential. Almost the same could be said for Haydn as an opera composer.

Rodney Milnes

Ravenna Festival

RAVENNA

For Italian festivals these days the weather forecast is required reading. The summer has been unstable, and often inclement. Performances have had to be postponed, even cancelled. In Ravenna, the audience that gathered in the lovely park behind the Pinacoteca to see the beloved ballerina Carla Fracci arrived armed with umbrellas, macs and brave hope.

Luckily, the rain stopped a short time before the scheduled performance, and the hope was justified. Still, signora Fracci and the rest of the company – which included actors, dancers, and the "Toscanini" Orchestra of the Emilia-Romagna regions – had to cope with adverse atmospheric conditions. Several last-minute applications of sawdust had dried out the planks of the makeshift stage, but the air remained damp and piercingly cold.

The production, devised by Beppe Menegatti, had an awkward but explicatory title: *Byron, Tchaikovsky, Manfred, Astarte and Others*; and it was inspired by the Bryon bicentenary and the poet's association with Ravenna (the stern Palazzo Guiccioli, unhappy residence of the "last attachment", Teresa, still stands).

Menegatti, basing his work on the Tchaikovsky Manfred Symphony (cogently conducted by Michel Sasson), employed passages from the dramatic poem, in an historic translation by Silvio Pellico, as well as excerpts from Byron's letters to his half-sister and to Thomas Moore. Three choreographers – Wayne Eagling, Geoffrey Cauley, and Loris Gai, successively – worked out visual parallels to the music and the drama, against an impressive set by Koki Fregni; a grim Alp composed of tilted organ pipes.

At the stern, but relatively small fortress, the Rocca Brancaleone, the festival offered a new *Turandot*, designed and stage by Pier Luigi Pizzi.

In recent years Puccini's posthumous opera has become a favourite among "outdoor" producers, almost rivaling *Aida*. Instead of cluttering the not large stage in the Zeffirelli manner, Pizzi kept the scene fairly stark, limited the movements and the supers, and – except for an ill-conceived throne for Altoum, not suitable for transportation up staircases – all was handsome and intelligent.

Hubert Soudant, making his debut at the Rocca, also conceded nothing to the plain air site: his reading was sober, thoughtful, concentrating more on character than effect.

Appropriately, the young Maria Dragoni was a less emphatic Princess than the usual exponents of the role; she did not indulge in vocal overkill, but gave us a human and believable figure, still powerful enough to offer pleasant contrast with Cecilia Gasdia's tender, affecting Liù. Antonio Ordonez was a loud, but not effective Calaf. Mario Luperi was an imposing Timur, and the three masks were not overcaricatured.

Ravenna's festival presents a canny programme of popular works and unfamiliar proposals (this year the "rarity" is Mascagni's *Le Maschere*) outdoors or in the great churches or the handsome Teatro Dante.

Visitors can also enjoy the pleasure of eating at two of Italy's finest and so far unspoiled restaurants, the Gallo and the Tre Spade.

William Weaver

ARTS GUIDE

July 29-Aug 4

MUSIC

London

BBC Symphony Orchestra, conducted by Lothar Zagrosek, with Ann Murray and Elizabeth Laurance, mezzo-sopranos. Schoenberg, Debussy, Michael Finnissy and Scriabin. Royal Albert Hall (Tue). (589 8212).

BBC Welsh Symphony Orchestra, conducted by Bryden Thomson, with Jean-Philippe Collard, piano. Prokofiev, Tchaikovsky, Holst and Walton arr. Christopher Palmer. Royal Albert Hall (Wed).

London Handel Choir and Orchestra, conducted by Denys Darlow, with soloists including Gillian Fisher, Emma Kirkby, Margaret Cable and Michael George. Handel L'Allegro, il Pensoroso ed il Moderato. Royal Albert Hall (Thur).

Paris

Quatuor Stamitz. Mozart, Janacek, Dvorak. Auditorium des Halles (Tue 7 pm).

Pro Cantione Antiqua. De Lassus, Palestrina. Saint-Severin Church (Wed 8.30 pm).

Camerata de Versailles, conducted by Amaury de Closel, with Daniel Bourgue (horn) and Christian Debrus (piano). Haydn. Auditorium des Halles (Thur 8.30 pm).

All the above are part of the Festival Estival (48.04.98.01; answering machine in English around the clock: 47.20.88.98).

Amsterdam

William and Mary candlelight concerts. Christ Church Cathedral Choir, conducted by Stephen Darlington, with Simon Lawford (organ), Purcell (Thur). Nieuwe Kerk (Dam Square).

The National Youth Orchestra of Great Britain, conducted by Christopher Seaman. Dukas, Elgar, Stravinsky. Concertgebouw (Wed). (718 345).

New York

Mostly Mozart Festival. Mostly Mozart Festival Orchestra, with Gerard Schwarz conducting, Jean-Pierre Rampal (flute) and Stephen Hough (piano): Prokofiev, Mozart, Hummel (Tue, Wed). Shlomo Mintz (violin), Pinchas Zukerman (viola), Ralph Kirshbaum ('cello) and Yefim Bronfman piano: Mozart, Beethoven (Thur). Avery Fisher Hall, Lincoln Center (874 2424).

Juilliard Concerts. Nostalgia: American Trombone Quartet performing music of the 1940s. Free concert at IBM Atrium, 56th & Madison (Wed 12.30 mat).

Washington

Wolf Trap Festival. Popular Music Concerts this week include The Temptations and The Ojays (Tue); The Moody Blues (Wed); Jean-Luc Ponty and The Yellow Jackets (Thur). (432 0200).

Chicago

Ravinia Festival. Chicago Chamber Musicians, with an all Beethoven programme (Tue), Chicago Symphony, conducted by David Zinman, with Cho-Liang Lin (violin): Brahms, Dvorak (Thur). (728 4642).

Tokyo

Kelemetti Institute Chamber Choir. Sibelius, Messiaen. Suntory Hall (Tue). (780 5400).

OPERA AND BALLET

London

Leningrad State Kirov Ballet moves to the Business Design Centre in Islington. Not to be missed.

Royal Opera House, Covent Garden. Australian Ballet season continues.

Coliseum. Dance Theatre of Harlem.

Royal Festival Hall. London Festival Ballet in Swan Lake.

Rome

Terme di Caracalla. Daniel Oren conducts Silvia Cassini's production of Aida, with Ilona Tokody alternating with Aprile Millo in the title role. Mirna Pecile (and Bruna Baglioni) as Amneris, and Giuseppe Giacomini and Nicola Martinucci alternating in the part of Ramades. La Fanciulla del West is conducted by Pinchas Steinberg, with Giovanna Casolla as Minnie, Silvano Carroli and Giovanni de Angelis alternating as Jack Rance, and Veriano Luchetti (and Nicola Martinucci) as Dick Johnson. Also this week, Giselle in the original version by Giovanni and Jules Perrot, conducted by Alberto Ventura. (46.17.55).

Trieste

Teatro Verdi. The Merry Widow, conducted by Rudolf Bibl and produced by Gino Landi, with Luciana Serra, Daniele Mazzucato and Max Rene Cosotti. (362.654).

Ravenna

Le Maschere, conducted by Gianluigi Gelmetri and designed by Maurizio Balo, with Enzo Dara, Maria José Gallego, Angelo Romero and Giuseppe Sabbatini. (32577).

New York

State Theater, Lincoln Center. New York City Opera. The week features the first performance of Lotfi Mansouri's new production of Il Barbiere di Siviglia, conducted by Sergiu Comissiona, along with the season's new production of Rigoletto, conducted by Elio Boncompagni and devised and directed by Tito Capobianco. (496 0600).

Lincoln Center. Out-of-Doors Festival. The month-long free performances in the plazas and Damrosch Park begin with the Paul Taylor Dance Company. (Wed, Thur 8.15). (877 2011).

Tokyo

Kan'i Hoken Hall, Gotanda. World Ballet Festival. A biennial jamboree featuring some of the world's top dancers: Bujones, Cregan, Dupond, Alonso, Evdokimova, Glasco etc. From Thursday. (725 8888).

FINANCIAL TIMES

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Tuesday August 2 1988

Control of the West Bank

YESTERDAY'S headline, "Hussein gives PLO control of West Bank", contained an unintended irony which must have been savoured by some of our Israeli readers.

The juridical status of the West Bank has been disputed ever since the end of the British mandate in Palestine in 1948. But *control* of it was indisputably lost by King Hussein in the war of 1967. He would as dearly like to be in a position to give control of it as the Palestine Liberation Organisation would like to receive it. For the moment Israel is in control, but its control has been severely challenged in the last eight months by the *intifada*, or uprising, of the Palestinian inhabitants.

That uprising is the main new element in a conflict which is otherwise depressingly static. Until the end of last year the Palestinians, especially the inhabitants of the Occupied Territories, were pre-eminently the object of this conflict. Now for the first time they have become its subject.

Similar measures

That is the great difference between the situation now and the one which prevailed in the mid-1970s, when King Hussein announced a number of measures very similar to those contained in his speech on Sunday night. Then as now he was reacting to the decision of an Arab summit conference (at Rabat, in October 1974) to recognise the PLO's exclusive right to exercise sovereignty on any Palestinian soil recovered from Israeli occupation. Then as now he accepted the decision with bitterness and reluctance, believing that the PLO had little or no chance of making good its claim whether by war or by diplomacy.

Then, as now, his decisions involved elements of spite, of tactics, and of bluff: he wished to remind the West Bankers of some of the benefits of the connection with Jordan that had been too much taken for granted; he calculated that the PLO and the Arab states would eventually be forced to admit their need for his involvement (as indeed they were, after Israel ejected the PLO from Lebanon in 1982); and he had no real intention of severing all connections with the West Bank or abdicating his channels of influence there.

Then as now (finally) his bitterness was directed also at Israel and the US, which he felt had failed to come forward with the minimum concessions necessary to give his role any credibility in the Arab world, but his action none the less reduced even further the chance of such concessions, since the only advocates of concessions who are close to political power in Israel are believers in the so-called "Jordanian option".

November election

King Hussein was proved right in 1982, but his critics in their turn were proved right last year when Mr Shimon Peres, the Israeli foreign minister, proved unable to force a political crisis in Israel on the issue of attending an international peace conference (which he and the King had agreed should provide the framework for an exchange of territory for peace). Now the chances of Mr Peres gaining effective control of the government in the November election look less and less good, and King Hussein's announcement will have reduced them even further.

As things stand, there seems as little hope of peace with the "Jordanian option" as there is without it. The Israelis are left face to face once again with the Palestinians and with their proclaimed representative, the PLO. Palestinian nationalism is more than ever a palpable reality with which any Israeli who genuinely wants peace must come to terms, just as Israel is a reality with which the PLO has to come to terms if it is serious about seeking a role in the peace process.

The "PLO view", advocating peaceful coexistence between Israel and a Palestinian state, which was formulated by Mr Bassam Abu Sharif and circulated at the Algiers summit was a courageous attempt to do just that; it is believed to have widespread support among leaders in the Occupied Territories. It is frustrating, to, say the least, that the policy-making organs of the PLO itself have not yet found the courage to endorse it.

New approach to prisons

IN MUCH of the public sector, the UK Government has questioned the need for higher spending; where cutbacks have not been practicable, it has at least sought to restrain the growth of expenditure. No such policy has been pursued in the case of prisons, where the burden on taxpayers has increased markedly in recent years. Indeed, the Government has claimed credit for embarking on the biggest prison building programme this century. Its aim is to build 26 new prisons by the mid-1990s at a cost of more than £1bn. This represents an increase in capacity of more than 40 per cent.

The rationale for higher public spending is, first, that existing prisons are chronically overcrowded – three men too often still have to share a cell that was built by the Victorians for one – and, second, that only government can supply and manage prisons. Both assumptions are being challenged. Critics on the right have argued that a partial privatisation of the prison service would be feasible. Those on the left have queried the logic of passively expanding the supply of prison places to meet the demand created by the sentencing policies of magistrates and judges. They urge the use of more non-custodial sentences, pointing out that Britain already sends more people to prison than any West European country except Turkey.

Green papers

In a tentative way, the Home Office is coming to terms with these arguments. Separate green papers published recently address both non-custodial sentences and the possibility of allowing private companies to build and manage remand prisons. The Government now accepts that custody is not necessarily the most effective punishment for those convicted of less serious offences: it "restricts offenders' liberty, but it also reduces their responsibility". It points out that if offenders retain their liberty they are more likely to be able to pay compensation to their victims and to make reparations to the community through useful unpaid work.

The logic of making more use of non-custodial sentences is impeccable. Prison is an effective way of protecting the community from dangerous criminals, but it rarely reforms characters. Indeed there is evidence that it turns young offenders into hardened and professional criminals. A study of young offenders discharged in 1982 showed that nearly 70 per cent had been reconvicted within two years. Prison, at £1,000 a month per inmate, is also an excessively expensive way of punishing minor offenders.

Privatisation

If the proposed policy is to get off the ground, however, the Government has to clear at least two hurdles. It has to convince the public – and especially Conservative backbenchers – that punishment in the community is not a soft option. This will not be easy. It is difficult to make combinations of fines, day centre attendence and community work look as unappealing as prison because, broadly speaking, they are not. The point is that they are cheaper and probably more effective in changing future behaviour. More important, ministers also have to find a way of influencing the sentencing policies of a decidedly independent judiciary.

Privatisation, by contrast, is a policy that the Government could implement. Several private sector companies have already expressed interest in building and managing prisons. The difficulties are ethical and practical. Many think that only crown servants should have powers to discipline and restrain fellow citizens.

Yet is there really any reason to suppose that a closely regulated private prison could not achieve at least as high standards as prevail in many public institutions today? There is at least a sporting chance that the injection of private sector money and experience would lead to new and better ways of doing things. The right incentive structure might spur private prisons to make much greater efforts to rehabilitate inmates than is the case in the cash-constrained public sector today. The possibility of privatisation should certainly not be dismissed out of hand.

The House of Fraser takeover

Mohamed Fayed (left), Tiny Rowland and Norman Tebbit

The Fayed empire under scrutiny

By John Plender

Ten days ago Trade Secretary Lord Young received the report of his two inspectors into the takeover in 1985 of House of Fraser, owners of Harrods. Its publication, due shortly, is expected to unveil a scandal that may prove highly embarrassing for the Government.

It could also bring to a climax the vituperative battle between the buyers, the Egyptian-born Fayed brothers, and R.W. "Tiny" Rowland, chief executive of Lonrho. A further consequence may be some reappraisal of Britain's arrangements for regulating takeovers, especially those from companies based in secretive locations such as Liechtenstein. For the authorities cannot allow Lonrho's noisy vendetta to distract attention from wider issues of public interest concerning the way in which control of major companies is allowed to change hands.

A useful point of entry into the Harrods saga is by way of the regulatory institutions, notably:

- The Department of Trade and Industry. Under the Fair Trading Act 1973 it is the Secretary of State who decides whether bidders should be subjected to an official inquiry. Since House of Fraser's assets exceeded the £30 million statutory threshold, it was eligible for investigation.
- The Secretary of State can refer bids to the Monopolies and Mergers Commission, the MMC, which investigates whether the merger would operate against the public interest. In 1984, Norman Tebbit, then the Trade Secretary, announced that references to the MMC would be made primarily on competition criteria. But the Act also allows investigation on other public interest grounds, including foreign ownership. This has been done where a bidder's possible lack of financial resources and management experience has caused concern, as in 1982 when Mr Alan Lewis's Isle of Man company Abele bid for textiles group Illingworth Morris. The bid was subsequently cleared.
- The Director General of the Office of Fair Trading (OFT) advises the Trade Secretary whether to refer a bid and what to do when the MMC has reported.
- The Takeover Panel, which lacks statutory powers, is chiefly concerned with the detailed management of takeovers and the fair treatment of shareholders.

The OFT's involvement at House of Fraser started in 1984 when the Fayed brothers paid £138m for a 29.9 per cent stake owned by Lonrho – a spectacular own-goal since Tiny Rowland never expected or wanted a bid to follow. The MMC had blocked an earlier bid by Lonrho and was investigating its stake at the time.

In persuading Kleinwort Benson to accept them as clients, the Fayeds had taken a key step towards credibility

The Fayeds then launched their £615m offer for the stores group. The OFT did not recommend an inquiry and Mr Tebbit waved the bid through in just 10 days, saying it raised no competition issues. The Takeover Panel, meantime, was conscious that shareholders were happy. Within weeks the Fayed brothers – Mohamed, Salah and Ali – had transferred control of the stores group to Liechtenstein.

How did these little-known Egyptians persuade the regulatory authorities to say yes to a bid for this highly visible, very British asset: a group whose flagship was Harrods?

Enter top-flight City merchant bank Kleinwort Benson. In persuading Kleinworts to accept them as clients, the Fayeds had taken a key step towards credibility. For Kleinworts soon proclaimed that the brothers came from an old established Egyptian family who for more than 100 years were shipowners, landowners and industrialists in Egypt.

Kleinwort's submission to the OFT listed a range of international businesses and referred to the brothers as "leading shipowners in the liner trade" and to their "ownership of 75 Rockefeller Plaza" in New York, one of America's more celebrated pieces of real estate, together with the Paris Ritz hotel.

Brian Basham of Broad Street Associates, the flamboyant PR man called in by Kleinworts, swung into action. Fleet Street was soon generating reports about fabulous dynastic wealth. Grandfather Ali's cotton had kept the mills of Lancashire turning in the last century; there was a shipping fleet carrying pilgrims and cargo round the Gulf.

When questions were raised about the Fayeds' ability to finance a £615m bid, the Broad Street press releases carried stiff warnings that "the Fayed brothers are advised that any allegations that they are not acting on their own account are defamatory".

At the time John MacArthur, then a director of Kleinworts, told me in a television interview that the money came from the brothers' own resources, which stemmed from family businesses going back several generations. He added that "their net worth, from what I know, is several billion dollars" – despite not having seen any consolidated financial statements of the Fayeds' business empire.

All this was good enough for the government, which announced that in deciding not to refer the bid it had relied on assurances given by the brothers and by Kleinwort Benson. But it infuriated the man whose ambition to own Harrods had been thwarted – Lonrho's Tiny Rowland. His lobbying scored a surprise victory just two months before last year's general election when the government conceded an inquiry.

Independent investigation by the Channel 4 programme "The Harrods Sale", broadcast on July 24, suggests that Tiny Rowland – notwithstanding his *parti pris* – was onto something. The programme argued that two crucial claims, which were accepted and advanced by Kleinworts, were false. Those claims concerned the brothers' family background and wealth.

Inquiries in Alexandria revealed that the brothers were brought up in the old customs area of the City, the down-at-heel Gomrok district. According to former friends and neighbours, their father was a teacher; their grandfather had been a villager in the Nile delta; those questioned knew of no business empire. When last seen by a classmate, Ibrahim Arabi Abou Hammad, in 1948, Mohamed Fayed was a Coca Cola seller.

As for the business empire, detailed analysis revealed that the businesses listed by Kleinworts for the OFT were not quite what they seemed.

- These "leading shipowners in the liner trade" owned just two roll-on, roll-off ferries and no cruise liners.
- Genavco, the Fayeds' principal British trading company at the time of the takeover, was a modest affair; it lost money in three of the five years to 1985; and in the other two together, total profits were less than £500,000.
- Examination of the title deeds relating to 75 Rockefeller Plaza revealed that in 1985 the Fayed brothers did not own the freehold. The brothers had a lease which was heavily mortgaged; and the tenants, Warner Communications, had an option to buy the lease at any time between 1989 and 1991.
- The Paris Ritz had been consistently unprofitable since acquisition.
- Investigations in Haiti – where Mohamed Fayed for a time had dealings with the unsavoury despot "Papa Doc" Duvalier – and in Italy, Switzerland, the United States and the Middle East revealed that the brothers were not a major international force in any of the areas mentioned.

By most standards, the Fayeds were wealthy businessmen. But these businesses could not possibly have generated the funds needed to buy House of Fraser – much less the claimed net worth of several billion dollars. Nor, clearly, could inheritance. So where did the Fayeds raise the wind? From the Sultan of Brunei, says Lonrho; not so, says the Sultan, who was once advised by Mohamed Fayed.

The formal documents stated that the bid was being financed from "the existing resources and normal trading facilities" of the Fayed family. But the normal facilities of the businesses in Kleinwort's submission to the OFT could scarcely have been adequate to bridge the gap. The question, then, is whether substantial additional borrowings were raised to finance the acquisition.

Documents at Companies House relating to House of Fraser Holdings, the shell company through which the bid was launched, appear to lend support to this: both Swiss Bank Corporation and Samuel Montagu turn up there as lenders. By 1987 the company had no less than £553m of borrowings. Meantime the stores subsidiary's £45m profit fell short of more than £50m of interest payable on the holding company's debt. So the ability of the Fayeds' other businesses to plug that income deficit now has an important bearing on the future fortunes of the stores group.

Yet the brothers' solicitors, Herbert Smith, have claimed in response to the Channel 4 programme that these borrowings were not financing the original acquisition, but resulted solely from a refinancing of funds previously provided by the Fayeds; the stores group's profits were then off-set against the shell company's interest liabilities to reduce tax. So the mystery deepens. All that can be said with certainty is that had more details of the Fayeds' business and financing arrangements been revealed from Liechtenstein in 1985, the government would have had pause for thought. Especially in a climate that was to lead to the referral of Elders IXL's subsequent bid for Allied-Lyons because of heavy borrowings.

Does it really matter if the Fayeds made false and misleading statements in a bid for a company that was scarcely vital to the British economy? Or that Kleinworts and John MacArthur unwittingly propagated them? In the public interest, control of leading companies clearly cannot be allowed to change on the basis of false information. And with the internationalisation of capital markets and Britain's openness to foreign bidders, signs of regulatory weakness would constitute an open invitation to some very unsavoury characters.

The failure was arguably more one of people and institutions than of the system itself. Prime responsibility for the statements, which violated general principles of the Takeover Code, lies with the Fayeds. Yet Kleinwort Benson can hardly escape all criticism, especially in view of the reliance placed on its pronouncements by all involved. Government, PR men and press, meantime, were less than vigilant in the affair.

Tiny Rowland's lobbying scored a surprise victory just before last year's election when the government conceded an inquiry

Any criticism from the DTI inspectors will pose a dilemma for Trade Secretary Lord Young. Is it worth referring the bid to the Monopolies Commission, so opening up the possibility of a recommendation that the Fayeds be forced to divest? The shareholders, after all, emerged with a good price. The underlying company is profitable, even if its net borrowings have increased more than threefold since the bid to £348m and several stores have been disposed of. Apart from the government, which has been made to look foolish, the main aggrieved party is Lonrho; but since Lonrho sold its stake voluntarily to the Fayeds, it commands little sympathy.

There is no easy answer. But first, the inspectors must have their say.

Channel 4's programme "The Harrods Sale" was made by Box Productions and presented by John Plender.

OBSERVER

The court of the Old Lady

■Careful watchers of the Bank of England have observed, not smoke signals – that would be premature – but a gap in the heirarchy more, so to speak, at the Cardinal level, which is causing quite a frisson of excitement in Threadneedle Street.

The move of Mr David Walker, one of the executive directors to be Grand Inquisitor of the City, as the head of the Securities and Investments Board, has left the Court of the Old Lady with only three executive directors instead of the maximum permissible four.

The court, which is the Bank's supreme authority (*pace* Mrs Thatcher), does not at present have an empty chair. However the normal cycle of retirement can be expected to create a vacancy by the end of the summer which can now be filled internally.

The youngest of the three most discussed for the job is Mr John Flemming, 47-year-old chief economist at the Bank. Another possible candidate is the 57-year-old Mr Pen Kent. He succeeded Mr Walker after a varied career which included a spell as head of the Bank's information office, which he ran like a Rolls Royce – so smooth that it was inaudible except to the Treasury. However Kent is a bit new in his present job for promotion to the court.

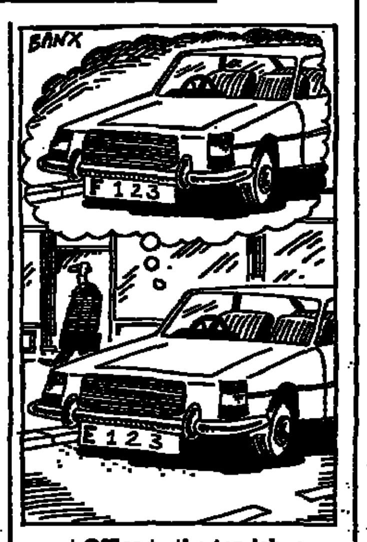
The other candidate is Mr Tony Coleby, 53, whose conduct of day to day monetary ploicy is well respected in the City. But perhaps Mr Coleby was a little too 'abundant with the truth' in evidence to the Parliamentary Select Committee on the Treasury a few years back to be favoured now.

So Mr Flemming is considered the likely man, not least because he already attends the court as a non-member. Flemming is very much an Oxford man, having been a fellow of Oriel as well as a fellow of Nuffield.

He still commutes from Oxford as he started to do in the mid-1970s when the then Governor of the Bank, Lord Richardson, asked him to be a special adviser, perhaps with an eye to future eminence. This was a decisive point in his life because he was obliged to withdraw his candidature for the Drummond professorship of economics. During those long hours while British Rail was getting him to Paddington and back, Flemming scribbled out his book on inflation. It was originally designed for lay persons but, characteristically, Fleming couldn't resist adding complexities which, he admits, made it perhaps more suitable for the partly initiated.

Since the Bank often likes to affect an Olympian view, it is perhaps suitable that Flemming has never been strongly identified with the many schisms and and doctrines in the economic world.

Flemming himself has avoided being categorised, partly because of his Socratic style of discussion which delights in posing new questions rather than giving simple answers. Perhaps Mrs Thatcher, who advises the Queen on the appointment, will be in favour of someone who doesn't make things too easy for her Chancellor.



All Change

■ Another regular commuter on the Oxford to Paddington journey, Dr Walter Eltis, is shortly to move from the job of economic director of the National Economic Development Office to the top job, as director general.

For Eltis, this will mean giving up his fellowship at Exeter College, which he has kept on during his two years secondment to the economic job.

Even though Nedo has been sadly depleted in recent years with the permanent staff being cut by about 40 per cent, this is not much worse than the cuts inflicted on similar organisations, says Eltis with more philosophy than sadness. Indeed he should be philosophic. His 1976 book, "Britain's Economic Problem: too few producers", written with Robert Bacon, another Oxford economist, strongly advocated that public sector expenditures should be cut to make way for productive investment.

Rings a bell

■ While bishops debate homosexuality, the ordination of women and the correct attitude to polygamy, the Church Union, that august body founded in 1859 to "recall the Church of England to her true catholic identity", proclaims its allegiance in a strangely modern form – thanks to British Telecom's new tone dialling system being introduced in a few favoured locations.

Anyone dialling this body through the new equipment will hear the tones play the first line of "Come, thou Holy Paraclete" in the key of E. The odds against so appropriate a hymn being allocated as the phone number of the Church Union – steadfast opponents of the ordination of women and other insidious modernities – is well over 10,000,000 to one but perhaps not enought to rate as a miracle

"God Save the Queen" is, alas, unobtainable but (economist hackers please note) the private line of Sir Terence Burns, the Government's economic adviser starts with the first bar of "Once in Royal..."

Following the example of the vendors of personalised car number plates, British Telecom could surely raise a smile for its shareholders by selling its more tuneful and significant phone numbers. How about 888 3666 (the opening bars of Beethoven's Third Symphony) as a start?

Quite a card

■ Mr Victor Geraschenko, the Soviet Union's first deputy chairman, took delivery over the weekend of a three foot by five foot Eurocard, following a signing ceremony between his bank - the Vnesheconombank, or Bank of Foreign Economic Affairs - and the Eurocard/Eurocheque and Mastercard organisations. The deal cast a special light on perestroika. Cards are based on one's position in the class hierarchy. Gold cards, as the company puts it, are "custom made to the lifestyles and financial needs of affluent customers" and silver cards "to meet the individual needs of companies".

LETTERS

'I, for one, felt safer in the old days . . .'

From Mr F.J.H. Finlay.

Sir, It has been clear, since the Securities and Investments Board (SIB) first announced its proposals for a compensation scheme, that investors on the London Stock Exchange using a member of the exchange to handle their investments would be less well protected under the new arrangements than under the old. It was also clear that if stockbrokers were going to have to pay substantial amounts for the new scheme, they would not be happy to carry on paying for the old one.

The limits of the new scheme are derisory, and present investment intermediaries with a very serious problem.

Stockbrokers who have given proper consideration to their back office settlement problems of last year have realised that it is of paramount importance to them to promote the use of a nominee registration service, in order to cut down on the paper chase of registering every holding in a different name. The US market went this way a long time ago; it is not uncommon in the US to find a substantial flat rate additional charge to have investments registered in your own name. This is a development to be welcomed; it is more efficient, and will enable brokers to continue providing a more economic service.

However, it increases the risk of the client who, if he/she uses it, is exposed to broker risk not just on the outstanding bargains but on the entire portfolio.

To date I have been told that I cannot insure either my own business, or the portfolios of my clients, against the collapse of a broker. This means a very high degree of care in selecting an appropriate broker – this is bound to act against the interests of smaller firms.

Because of the limit of £48,000 per person, the answer may be for each investor to break up his/her portfolio, never investing more than £50,000 with any one broker. (This would make last year's settlement problems seem like a minor hiccup in the decay of the London market.) The failure to protect institutional accounts is ludicrous – and self defeating. If an institution is investing, then most of the funds it invests belong ultimately to private individuals. Is there to be a ripple effect of collapsing institutions before the SIB steps in and pays out £48,000 to each of the ultimate investors?

It is to be hoped that the Stock Exchange will solve some of these problems by reconsidering its decision to terminate its own scheme, and continuing it as a top-up scheme of indeterminate scope – to be applied only in the event of the collapse of a stockbroker to pay out over and above the payments made by the SIB scheme. (If the Stock Exchange regulates itself properly, it may never be needed.)

The SIB should, however, re-think, so that ultimately the Stock Exchange need not do this. If an investment firm collapses in this modern world it is ultimately the responsibility of the SIB which, through a chain of self-regulating organisations (SROs), has authorised it to carry on business. If the capital adequacy requirements are properly designed, honest firms will not collapse. That leaves the risk of fraudulent players – which SRO audit teams must be trained to detect. If a compensation scheme cannot compensate investors in a fraudulently managed company which even the relevant SRO did not identify, then there seems little point in having this entire self regulatory edifice.

I, for one, felt safer in the old days, when I put my money with a stockbroker ultimately backed by a responsible Stock Exchange.

Fabian Finlay,
9 North Audley Street, W1

Small means business-like

From Mr P.A. Rowe.

Sir, Charles Batchelor (July 26) reports on further calls for the imposition of statutory interest on trade debt. What a pity that we should have to hear this sterile claim again when the Government, supported among others by the Confederation of British Industry (CBI) and the Institute of Directors, has just issued its useful booklet "Prompt Payment Please", which gives sensible, practical guidance on overcoming the problems of late payment.

Legislation would almost certainly be complex, would probably be used by large companies rather than the small business it was intended to help, and would only perpetuate slack management practice. It would be preferable if small companies put a stronger emphasis on their trading terms, maintained close customer liaison, provided goods of the right quality on the date agreed, and ensured that all despatch notes and invoices were correct and delivered to the right company at the right address, at the right time.

Mr Batchelor refers to the Dun & Bradstreet survey which "showed that 80 per cent of the businesses it had polled had not seen" the Government's previous booklet, "Payment on Time." I understand that Dun & Bradstreet's survey was based on 200 responses; hardly representative when the Government had distributed 150,000 copies of the booklet.

P.A. Rowe,
Institute of Credit Management,
Easton House,
Easton on the Hill,
Stamford, Lincolnshire

Electricity and the environment

From Mr Jon Parker.

Sir, One area that your editorial, "Unsolved issues in electricity" (July 21), fails to address is how environmental requirements will be catered for after privatisation. This is surprising, considering Clive Cookson's thoughtful analysis of the greenhouse effect (Lombard, July 14), and your thorough survey on care of the environment (July 18).

The environment should be central on the privatisation agenda. The generation and distribution of electricity has a greater impact on the environment than any other single industry. The Central Electricity Generating Board (CEGB) has statutory obligations under the 1957 Electricity Act not only to provide an efficient, economical and co-ordinated supply of electricity to the consumer, but also to consider any effects of its operations on the built and natural environment.

Part of the CEGB's corporate role is therefore to strike a balance between environmental impact and economic benefits. It is worth comparing the budgets for environmental and control technology research of the CEGB's environmental division with that of the Electricity Power Research Institute (EPRI), the organisation most comparable in the US.

The CEGB has a £25m budget, equivalent to about 0.3 per cent of its total annual turnover. By comparison, EPRI's total budget on research and development is about 0.3 per cent of its member utilities turnover, with only 20 per cent spent on the environment. Evidence that the CEGB obeys the spirit – and not just the letter – of the law? But will a privatised industry continue to follow this praiseworthy philosophy?

Most environmental issues, such as acid rain and decommissioning of redundant nuclear plant, exist now, prior to privatisation. There obviously needs to be a strong regulatory framework to ensure that private companies cater for these problems adequately.

It is also likely that new environmental problems will arise in the future. There are questions of land use, as private companies are likely to prefer smaller scale and more numerous generating plants (Max Wilkinson, July 1). There is likely to be a dramatic increase in open cast coal mining, which is far cheaper than deep mining, to feed an electricity industry intent on lower costs. But will the privatised industry pay the full environmental costs of scarring the landscape?

Privatisation is also likely to bring environmental benefits. Electricity supply companies will probably prefer to invest in generation of electricity from gas, which has carbon dioxide emissions substantially lower than coal and oil (Jonathan Stern, Letters July 20). Options such as renewable energy and, most significantly, energy conservation, would be far less risky investments than nuclear power, both financially and environmentally, and would reap dividends for the environment (Andrew Warren, Letters, July 20).

Privatisation of electricity should be seen as the suitable vehicle for a general review of environmental policies, giving us the opportunity to develop an industry appropriate for the 1990s.

Jon Parker,
Management Studies Group,
Department of Engineering,
University of Cambridge.

Delay cuts both ways

From Mr Martin Hankey.

Sir, Why does your back page (July 25) carry the headline "British end of tunnel falls behind schedule"? What purpose do you serve by hiding – in nearly four paragraphs of pejorative and unpatriotic self pity – the fact that our friendly French collaborators have fallen three times further behind, and are paying the penalty for it?

There is always the possibility that the two sides will miss each other in the middle. If they do, Sir, please revert to your even-handed fairness and, in the absence of factual evidence, do not blame the British – or praise the French.

Martin Hankey,
7 Yardley Park Road,
Tonbridge, Kent

Cheaper ways to get advice

From Mr Eric R. Golding.

Sir, Richard Waters mentions (July 26) the independence issue arising as a result of accountancy firms moving into corporate finance.

Another point worth making is that many businessmen do not necessarily like their auditor to know too much detail about their business. There is plenty of room for independent corporate finance boutiques which do not attract the high level of overheads incurred by merchant banks and large accountancy firms. Why pay for an expensive audit just to obtain quality corporate finance advice?

Eric R. Golding,
Hanover Druce,
91 New Cavendish Street, W1

Call collect

From Mr Andy Green.

Sir, Far from being left behind in producing "collectable" Phonecards (Observer, July 27), British Telecom produced its first national, commemorative Phonecard, depicting the Christmas lights in London's Regent Street, more than six months ago.

Andy Green,
British Telecom,
National Payphone Services,
19a Hatfields, SE1

Diversion: arts funding

From Mr Michael Skelly.

Sir, How about this for arts funding:

Extend the copyright law for another 25 years after an author's death and let all the money accumulated go into an Arts Fund.

Then the artist will be beholden to nobody.

Michael Skelly,
139 Whitfield Street, W1

Music to exporters' ears

From Mr Peter Dodd.

Sir, To many of us in the shipping business the news of the proposed development of the Isle of Grain site by Highland Participants is pure music.

For too long we – and British exporters – have been shipping under the yoke of high port charges, towage, pilotage and light dues. Felixstowe has been doing its share to reduce this burden, but the entry of another major competitor into the field can only help further to improve costs, and emphasises the irrelevance of the National Dock Labour Scheme.

However, reducing port handling charges alone is not the whole answer. Dare I suggest that the management of this new venture puts the towage and pilotage out to international tender? At the same time, would this not be an opportunity for both management and Government to loosen the strangle-hold of Trinity House and the conservancy authorities, and do the same with navigation aids, thus reducing the burden on ship owners of light and conservancy dues?

Peter M. Dodd,
23b Epsom Lane South,
Tadworth, Surrey

Evaluating child abuse evidence

From Mr Felix Hetherington.

Sir, One aspect of the Cleveland child abuse inquiry which has escaped comment concerns the part played by lawyers in cases of suspected abuse.

It is a key recommendation of the report that in complex cases, the case conference chairman must be able to call upon the attendance of a qualified lawyer to assist in the evaluation of evidence.

Many local government solicitors are highly skilled and experienced in the conduct of care proceedings. Last year, guidelines were issued to local authorities by the Law Society Local Government Group. They stressed the need for councils to be represented at all child care hearings and case conferences – with the exception of minor matters – by fully qualified lawyers.

It is encouraging to note that Lord Justice Butler-Sloss has received a similar conclusion.

Felix Hetherington,

The Law Society,
Local Government Group,
c/o Isle of Wight County Council,
County Hall,
High Street,
Newport,
Isle of Wight, Hampshire

Depletion of forest resources will accelerate

From Mr Michael Paterson.

Sir, The colourful description of the rapidly diminishing Philippine rain forests in Richard Gourlay's article (July 20) is in no way misleading, but it provides little analysis of the causes of the malaise.

Rights to operate a forest concession area are usually awarded by the president, directly or indirectly, in return for political favours. Consequently a change of government often leads to the cancellation of a concession agreement. The democratically elected Aquino government is no different in this respect. As a result of this insecurity the individual concessionaire operates the forest area with short term cash flow as the priority – with obvious adverse consequences on the environment.

High taxes are to be avoided, and in the Philippines this is taken to extraordinary lengths. Smuggling whole logs out of the country, downgrading and underpricing of exports, and overpricing of imports, are widely employed tax avoidance schemes. Thus the profits of a concessionaire company rarely look inspiring to prospective lenders. The companies are further handicapped by their inability to incorporate the value of the standing timber or the freehold value of the land onto their balance sheets. Lack of perceived profitability and asset strength thus make resort to significant debt finance an impossibility for most Philippine forest product companies.

Modern sawmill, plywood and furniture-making facilities are scarce; without the added value that such investment would provide the companies resort to even faster – and often illegal – logging practices. Finally, where the concessions are controlled by an individual, employees are often recruited more for their loyalty than for their efficiency.

So forest resource is wasted and efficiency is hindered. Many frustrated but excellent Philippine forest product technicians now work in the timber industry in the US, in yet another manifestation of the disastrous third world brain drain.

The solution seems to me (I have laboured hard and long in the Philippine forest products industry) to be in the role model provided by publicly quoted multinational forest product companies operating in the US, Canada, Scandinavia and New Zealand. These companies manage the environment, pay taxes, employ large numbers, economise the resource through efficiency and replanting, and maximise long term earnings which are attributed high multiples in their share prices.

The nationalistic policies of many developing countries such as the Philippines, which prevent control of natural resources by foreigners, will accelerate the depletion of their forest resource – with adverse effects on their economies and environment.

Michael Paterson,
Phillips & Drew,
120 Moorgate, EC2

Mr Robert Smart (Letters, July 26) is a director of International Leisure Group, not of PPA International.

FOREIGN AFFAIRS

When 'nitty gritty' is not enough

Robert Mauthner assesses the British Prime Minister's stance on a united Europe

For General de Gaulle, the late President of France, and Jean Monnet, the visionary, but also highly practical inspirer of European unification, read Margaret Thatcher, Prime Minister of Britain, and Jacques Delors, President of the European Commission. Thirty years on, the protagonists have changed, but the debate is still the same: whether Europe should be a loose grouping of nations or whether it should have an integrated, federalist structure in which most decisions will be supranational. A simple, if momentous choice, subject to a clear political decision – or so some commentators would have us believe.

Pace Jimmy Young, the British radio presenter, who, with considerable talent, is always able to elicit from Mrs Thatcher the kind of nationalistic and "anti-European" sentiments that the bulk of the listeners to his BBC show seem to expect of her, the problem is infinitely more complicated. Mr Delors, who was deemed by the Prime Minister to have gone "over the top" when he said that, in ten years, 80 per cent of economic, and perhaps even fiscal and social legislation, would originate in the Community, was not, in fact, making a statement of European federalist intent, whatever his personal inclinations. Neither was he peremptorily laying down European law when he expressed the belief that the Community members would not be able to take all the decisions that need to be taken between now and 1995 "without the beginnings of a European government, in one form or another."

One can certainly argue with Mr Delors' estimate of the relative percentage of legislation likely to be adopted by the Community in 10 years. But his remarks to the European Parliament at the beginning of July cannot properly be answered with a flat Gaullist "*non*", as Mrs Thatcher has done, because they are not policy declarations but analytical observations of the way things are developing in the Community.

Few people are aware of the extent that the national administrations of the member countries are already co-operating with each other and co-ordinating their decisions behind the scenes. A large number of technical decisions in the field of agriculture have long been taken by the European Commission, which has also represented the member states in major multilateral trade negotiations since the early days of the Community. The adoption of 300 or so measures to complete the Community's internal market has added a new dimension to the problem, with many decisions, other than the sensitive matters of indirect tax harmonisation and free movement of persons, subject to qualified majority voting.

The number and range of Community decisions has thus steadily increased and it is difficult to see how the process can be halted. Mrs Thatcher herself recognises that "there are some things which it is better that we do together. . . because we're more powerful if we do them (in this way)." But the demarcation line she draws between the areas in which the Community and the national governments should have the decisive word is entirely arbitrary.

To many people's surprise, there was hardly an anti-Europe peep from the Government when, under the Community's competition rules, the Commission reduced by £253m the amount of state aid that the Rover Group would be allowed to receive as a condition of its takeover by British Aerospace. Yet any suggestion that there should be a harmonisation of indirect taxes in the Community, in the interests of freer trade between the member countries, is met with an indignant refusal by the British Government because it would undermine one of Westminster's hallowed prerogatives.

The sensitivity of the Prime Minister and Parliament over the threatened loss of Westminster's traditional right to determine fiscal policy may be understandable in the light of the UK's long parliamentary history. But the fiction that, by keeping the decision-making levers in national hands, the Government is retaining full freedom to conduct whatever economic policy it wants, cannot go unchallenged. The economic, fiscal and monetary policy of any medium-sized nation like Britain, which is heavily dependent for its livelihood on trade, is necessarily dictated by the international economic environment and the policies of its bigger and richer trading partners.

It is precisely because they feel that, as a cohesive group, their combined influence and room for manoeuvre would be much greater than as individual states, that most other EC governments, to say nothing of some of Mrs Thatcher's senior Ministers, are in favour of a closer economic and monetary union.

While Mrs Thatcher is undoubtedly justified in questioning some of the vaguer Euro-concepts, such as European Union which, like the Deity, defies definition in concrete terms, she should realise that the Community's success has been based on a potent mixture of the "airy-fairy", which she so despises, and the "nitty-gritty", which she extols. The completion of the internal market by 1992, of which the UK claims the parentage, may rank as the apotheosis of Thatcherite nitty-grittiness. But it is only the latest descendant of other equally impressive down-to-earth projects, the most notable of which was the European Coal and Steel Community, brainchild of two of the most imaginative, idealistic and committed "Fathers of Europe", Robert Schuman and Jean Monnet.

Schuman and Monnet, in spite of their practical approach to European unification through concrete economic achievements, were not frightened to speak about the ultimate political aim of a United States of Europe, even though they probably could not have satisfied Mrs Thatcher's demand to define such an organisation in anything but general terms.

Despite its industrial subject matter, the European Coal and Steel Community was a highly political venture. By pooling the heavy industries of West Germany and France, the founding fathers wanted to make sure that there would never again be another war between the two principal continental European powers. European unification was a means of defusing national military and political rivalries while, at the same time, promoting economic competition, and none of the six founding member states have forgotten that original motivationfor their common enterprise.

Significantly, the Conservative government led by Harold MacMillan (the late Lord Stockton) which first applied for membership in 1961, constantly underlined the political reasons for joining the European Community. These, clearly, required a commitment which went rather further than the present Prime Minister's purely Gaullist objective of "separate countries working together".

Mrs Thatcher is probably entirely convinced by her ritual incantations about loss of sovereignty and national identity, though others are more struck by the inconsistencies of her approach to a European Community, which she clearly has no intention of leaving. Mrs Edith Cresson, the French Minister for European Affairs, summed up this view in her reaction to the Prime Minister's latest outburst on the subject. "We are used to the vigorous statements of Mrs Thatcher," she declared. "In general, when Europe progresses, Mrs Thatcher jumps on the train."

That may be so, but instead of constantly underlining the limitations of European unification, one would like to see the Prime Minister embark on the European train with a much more positive attitude. To display so little enthusiasm for its political potential not only loses Britain a lot of friends in Europe, but deprives the Community of the momentum for its future development.

FINANCIAL TIMES
Tuesday August 2 1988

Hussein hands the reins to PLO

Tony Walker on why Jordan has relinquished its West Bank rights

KING Hussein of Jordan has a reputation among Arab rulers for subtlety. His announcement at the weekend that he was relinquishing administrative and legal responsibility for the West Bank was, on the face of it, a grand gesture both to the Palestine Liberation Organisation and to the elusive dream of Arab unity.

The King could say in his speech, as he did repeatedly, that he was merely responding to PLO demands for independent statehood supported by Arab States, most recently at the Algiers summit in June.

But behind these words lay a series of complex factors which persuaded the Arab world's longest-serving ruler to make his somewhat melodramatic pronouncement that Jordan was disengaging itself from the West Bank after 38 years of assuming responsibility for its residents.

According to his senior advisers, the King has been deeply disappointed by a repeated questioning of his motives towards the West Bank and the Palestinians. The unequivocal endorsement at the Algiers summit of Palestinian rights to an independent state was one of the factors which persuaded him to take the step that perhaps would have been unthinkable even a year ago.

A crucial element in the King's decision was almost certainly the strength of the Palestinian uprising against Israeli rule in the West Bank and Gaza Strip, which in some ways was as worrying for Jordan, with its large Palestinian population, as it was to Israel.

King Hussein has also felt under unreasonable pressure to represent the Arab position in negotiations over the future of the occupied territories. This pressure has come from the PLO itself, which at times has been highly critical of his role, from the Israelis, the Americans and from fellow Arab states.

The King, as a peacemaker, has been drawn in several different directions. He has now indicated he wishes to step back from the front line but not, it must be emphasised, to remove himself from the picture altogether, because *Jordan remains central to any resolution of the Middle East dispute.*

The King has effectively issued a challenge to the PLO leadership to assume the burden of advancing the cause of Palestinian self-determination within their own lands. It is by *no means certain that the PLO*, which has not yet formulated a clear peace strategy, is in a position to meet the immediate challenge.

At a more subtle level, it may well be the King's gambit, in the knowledge that Israel and the US will continue to shun the PLO, that he expects the organisation to fail to fill the vacuum which he helped to create. Some observers have at the back of their minds the thought that King Hussein may have handed Mr Arafat, *the PLO chairman*, a poisoned chalice.

Many questions have been left unanswered by the King's speech, which provided no details about how a legal and administrative disengagement from the West Bank would work. Will Jordan, for example, *continue to issue passports* for Palestinians resident in the occupied territories? What is to become of some 24,000 Jordanian employees in the West Bank and Gaza Strip?

Senior Jordanian officials are saying these salaries will be cut and that other measures will be taken to complete the disengagement. The PLO will presumably be expected to assume some of these responsibilities ... if it can.

Observers in Amman wonder if one of the King's aims is to expose the PLO's inability to deliver, either in a constructive fashion on the peace front or to satisfy the practical needs of West bank and Gaza Strip inhabitants.

The King made clear his lack of enthusiasm for the step he was taking in a highly revealing element of his speech, in which he said: "Since there is a general conviction that the struggle to liberate the occupied Palestinian land could be enhanced by dismantling the legal and administrative links between the two banks, we have to fulfil our duty and do what is required of us."

King Hussein's gamble, from the perhaps artificially high *moral ground, is that any* negative consequences of his actions will not rebound on him. The challenge to the PLO *also provides it with an opportunity.*

The challenge for the various *PLO* factions is to use the opportunity to fashion practi*cal response, both in the han*dling of administrative responsibilities and in the formulation of a workable peace formula.

A document circulated recently by Mr Bassam Abu Sharif, one of Mr Arafat's senior advisers, revealed interesting *new trends in PLO* thinking.

Mr Abu Sharif focused constructively on points of agreement between Israel and PLO. The document's significance was that it was one of the few occasions on which a senior PLO figure had addressed him*self so directly to the Israeli* polity.

King Hussein, who is a long-term student of the PLO and the constraints under which it operates, would be well aware of the difficulties it faces in seizing the opportunity that has been presented to it.

Handing over: PLO leader Yassir Arafat (left) is greeted by King Hussein of Jordan at the Arab summit in June

Jordan 'must take role in West Bank'

Continued from Page 1

makes a previously-scheduled visit to Israel and its neighbouring Arab states later this week. The subject was also likely to come up during talks Mr Murphy was due to hold yesterday with his Soviet counterpart in Geneva.

In an initial reaction to the King's move on Sunday, Mr George Shultz, the Secretary of State, echoed politicians from Israel's Labour Party in seeking to give the impression that the "Jordanian option" for negotiations with Israel – the cornerstone of US peace efforts for at least the last six years – is still alive.

He said on American television that the King "has to be a partner" in any peace talks because of Jordan's long land border with Israel. "If there is going to be peace between Israel and its neighbours, then Jordan is involved," he added.

The King's move is however likely to deliver the *coup de grâce* to the already largely moribund peace plan which Mr Shultz took to the Middle East on four shuttle missions this year.

This ruled out an independent Palestinian state – an idea King Hussein explicitly endorsed on Sunday – and called for an international conference leading to direct talks between Israel and Jordan, without explicit *PLO* involvement, for the creation of some kind of Jordanian-Palestinian confederation.

The PLO itself reacted cautiously yesterday to the Jordanian move, writes Tony Walker in Amman. The organisation is now engaged in an intense round of consultations in Baghdad to review the implications of the King's announcement.

Mr Bassam Abu Sharif, one the senior advisers to Mr Yassir Arafat, the PLO chairman, cautiously welcomed King Hussein's announcement, saying that the Jordanian decision was in line with Arab summit resolutions which had called for an independent Palestinian state.

Meanwhile Israel yesterday deported eight Palestinians accused of being ringleaders of the uprising in the occupied territories to southern Lebanon, writes Andrew Whitley in Jerusalem.

Their expulsion came just hours after King Hussein's speech.

IRA claims fatal bomb blast at London barracks

By David White in London

POLICE AND military authorities in Britain were on full alert last night after an explosion demolished part of an army barracks in north-west London, killing one soldier and injuring nine.

In a statement issued in Dublin, the IRA later claimed responsibility for the early morning blast, which took place on a site lying partly in the parliamentary constituency of Mrs Margaret Thatcher, the Prime Minister.

If the IRA claim is true it marks the return of the organisation's bombing campaign to the British mainland for the first time since it bombed the Grand Hotel in Brighton during the Conservative Party conference in October 1984. Five people died in that attack, which was directed at the entire British Cabinet.

Last night police, who along with army experts were sifting through the rubble of yesterday's explosion throughout the day, said the explosion was probably caused by "some form of explosive device."

A two-storey red-brick accommodation block at Inglis Barracks, which serves as a postal centre for British servicemen, was demolished.

The Postal and Courier Depot is staffed by about 250 personnel from the Royal Engineers, the Women's Royal Army Corps and the Royal Navy.

Recent IRA attacks have focused on military targets in Continental Europe – with the killing of three RAF men in the Netherlands in May – and in Northern Ireland, where six soldiers died in a bomb blast in Lisburn in June.

Mrs Thatcher, after arriving in Perth, Australia, was "deeply distressed" by the news. Mr Neil Kinnock, the opposition Labour Party leader, called the attack "another act of infamous cowardice by the Provisional IRA."

Kieran Cooke in Dublin writes: In the late 70s and early 80s the IRA spread fear in London and elsewhere with a bombing campaign which included attacks on Chelsea army barracks in 1981 and the bombing of the Household Cavalry in Hyde Park, in London's West End, a year later.

These and other attacks caused heavy military and civilian casualties. Since the Brighton attack the security forces have obviously been successfully detecting any possible IRA operations on the mainland.

Intelligence information on of IRA members and sympathisers has improved dramatically in recent years and there have been several important convictions of activists.

If yesterday's blast was indeed the work of the IRA it is evidence that a new cell is in operation on the British mainland and is presumably ready to launch another campaign.

The IRA, which will regard yesterday's bombing as a propoganda coup, has stepped up its activities in recent months.

So far this year 12 regular army soldiers and eight members of the Ulster Defence Regiment have been killed in Northern Ireland, more than the total number of army deaths within the province in 1987.

But the IRA has also suffered severe setbacks. In the past 16 months it has lost 22 members, many of whom were its most skilled practioners of a deadly range of activities.

Three of its top people were shot dead by British SAS commandoes in Gibraltar in March while planning the bombing of a military band.

In addition, a series of recent IRA operations have led to civilian deaths and injuries. These include the bombing in Enniskillen, Norther Ireland, last November in which 11 civilians were killed.

Most recently, in what the IRA called a "tragic mistake" three members of a family were killed in a bomb blast on the border with the Irish Republic.

Mr Gerry Adams, head of Sinn Fein, the IRA's political wing, said the IRA "needed to put its house in order". The organisation has clearly been depleted and demoralised by recent events.

Equally obvious is the fact that the IRA is by no means a *spent force*. The IRA *often* takes months to plan its operations and yesterday's operation would have been meticulously planned.

Yesterday's bombing is a setback for those in the security forces who felt that intelligence work had defeated any IRA activity on mainland Britain.

THE LEX COLUMN

Best foot forward on Wall Street

It is almost a year since Wall Street reached its all-time high, and after last week's late surge the Dow is close to its 1988 peak. The dollar is once again giving a good imitation of a strong currency. US Government long bond yields have hit at least a temporary ceiling of 9¼ per cent, and a more confident mood is beginning to creep back into the US financial markets.

But the markets are finely balanced, and although the recent rally in equities and the dollar may still have further to go, it should be treated with more than usual caution. The bull points are an undeniable improvement in the US trade *deficit, rising institutional* liquidity and better than expected news from the corporate sector; 1988 earnings and dividends are now forecast to grow by 20 per cent and 10 per cent respectively – their best performance in years. However, the marginal slowdown in the *US growth rate in the second* quarter and the acceleration in the underlying rate of inflation are likely to put further pressure on interest rates before the summer is over.

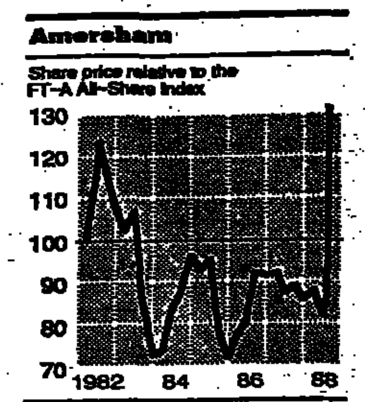
Against this background, it will be hard for Wall Street to repeat last year's trick of *advancing strongly in the face* of a weak bond market. Equities are more highly valued, for example, than in the UK, where dividends seem set to grow considerably faster - partly because the UK corporate sector is nowhere near as highly geared. For the moment, the *Fed seems to be* slightly ahead of the game, and the pause in its monetary tightening should eventually relieve some of the upward pressure on the dollar. But the economy is still growing at an unsustainable pace, and it is hard to see how the authorities can solve the twin problems of the budget and trade deficits without raising taxes and halting the growth in consumer spending – which can hardly be good news for equities.

Irish Distillers

For all the precedents that the EC's intervention in the battle for Irish Distillers may set in shaping European merger policy, it does little to clarify the progress of the bid in question. The EC is objecting to the consortium nature of the bid, whose chief object was arguably to make the takeover less unacceptable to the Irish *Government on* monopoly grounds. Even though the Commission is right to argue that a combined bid from the three big drinks companies is anti-competitive to the extent that it makes a counterbid less likely, its interference does not do Irish Distillers' shareholders any favours. If, as now seems likely, the bid is blocked in its present form, the three present bidders might well be barred from making independent offers by the Takeover Panel's rules on concert parties. A bidder from another quarter is a possibility, but the trouble Fyffe had recently in selling its 20 per cent stake suggests a shortage of eager candidates. The modest 11p fall in the shares yesterday to 294p may show that the market judges otherwise; more likely, though, the Irish bank holiday and the shortage of information were to blame.

Amersham

Share price relative to the FT-A All-Share Index



Amersham

Unless somebody knows something, Amersham's shares are starting to look a little risky. After yesterday's 81p rise to 677p, the price has gone up 52 *per cent in the four trad*ing days since the cancellation of the Government's golden share was announced. While the resulting multiple of 20 times this year's earnings might not be excessive as an actual bid price, it would be sensible for a bidder to let the excitement die down before moving in.

In any case, Amersham's loss of independence may not be the foregone conclusion it seemed at the outset. As Du Pont discovered six years ago in taking over New England Nuclear – a close rival of Amersham – staff and customers can be hard to tie down. A hostile bid is scarcely to be thought of; and while an agreed bid would carry its own premium, Amersham still has specific objections to being part of a larger entity.

Doubtless such objections could be overcome at a price. For shareholders, though, there is another issue to resolve first. The 15 per cent limit on individual shareholding is now an anomaly, and the temptation may well be to vote it out of the way forthwith. But there is a counter-argument; since a bid launched under the present rules would in effect have to command 75 per cent of the votes, it might have to be pitched higher than one needing only the conventional straight majority. If today's AGM proves the sedate affair of former years, it will not be for lack of questions in the minds of shareholders.

Gillette

Corporate raiding is definitely getting to be more like work these days. Yesterday's capitulation by Coniston Partners in the Gillette proxy battle – which could leave Coniston stuck with nearly 6m unmarketable Gillette shares and probably only a meagre profit on the rest of its stake – was scarcely what one would have expected from the firm which brought us the Allegis break-up last year.

With hindsight, it is easy to blame Coniston for misjudging the tenacity of its rival, or overestimating the demand in the market for razor blade companies with twice as much debt as equity. But the fact remains that no bidder has emerged in the six months that the two sides have been disputing the company's future, and yesterday's sharp drop in the *share price suggests that none* is now awaited.

Demand for companies with three times as much debt as equity – the situation in which Gillette will find itself after spending $720m buying back its own shares – can be presumed to be limited. But independence will probably do much less for the Gillette share price than for the ego of the company's managers; the shares could settle as much as $10 or $12 below the $45 buy-back price, unless Gillette thinks supporting them is worth another few hundred million.

EC takes action on East Bloc chemicals sales

THE European Commission said yesterday it was taking action against companies from the Soviet Union and Bulgaria which it said were selling a chemical to the European Community at unfairly low prices, Reuter reports from Brussels.

The executive body imposed provisional anti-dumping duties on exports of copper sulphate from two companies, one in Bulgaria and the other in the Soviet Union.

Both had previously promised to respect EC pricing for these exports, the commission said.

It had launched an investigation into the exports, it added. Until the inquiry – expected to take sveral months – was completed, it would apply the provisional anti-dumping duties of 20 per cent of the chemical's price for the Soviet company and 39 per cent for the Bulgarian company.

Copper sulphate, sometimes known as bluestone, is used in agriculture.

According to the commission, the duties were imposed following complaints from CEFIC, the European Chemical Industry Confederation.

Shell and BP ready to produce transport fuel from natural gas

By Steven Butler in London

THE near-monopoly held by crude oil in providing the world's transport fuels is about to be broken by schemes underway at major oil companies to produce petrol and diesel from natural gas.

Shell and British Petroleum, the world's second and third largest oil companies, are pushing rapidly ahead with commercial development of the schemes, which could be producting commercially within 10 years. Transport fuel is virtually the last area for which there is no economic alternative to crude oil as a raw material.

The plans, which would utilise the world's vast, largely untapped, reserves of natural gas, have been made possible by technological breakthroughs which have slashed costs for processes once considered exotic and expensive.

While wide application of the technologies could take decades to achieve, they could affect oil markets more quickly as members of the Organisation of Petroleum Exporting Countries adjust to the long-term implications of increased energy supplies in the next century.

The technologies promise to increase the availability of relatively low-priced petrol and diesel fuel at a time when the non-communist world would otherwise be heavily dependent on crude oil supplies from Opec.

Shell is in advanced negotiations with Petronas, the Malaysian state oil company, to build a gas conversion plant at Bintulu, Sarawak to produce high quality middle distillate products used in diesel and aviation fuel. The plant, which could be operational in 1993, would have a capacity of 12,000 barrels a day and cost about $500m.

BP says it has developed a new conversion process, which it is keeping secret, at a cost of *roughly $100m. The process* would manufacture ordinary petrol from natural gas and would be competitive at an oil price of less than $20 a barrel.

BP plans to start construction of a demonstration plant for the process next year that would allow it to test the process on a relatively large scale before moving to full commercial development.

BP has discussed siting of a full-sized plant with several governments in southeast Asia. Construction could begin in 1993 for operation in 1997 of a $600m plant with a capacity of up to 20,000 barrels a day.

The Shell and BP schemes are aimed at tapping large low-cost reserves of natural gas in areas remote from developed markets. Such reserves exist in southeast Asia, the Middle East, and South America. The Soviet Union also has large reserves of natural gas.

About half the world's hydrocarbon reserves in terms of energy are now in the form of gas. However, oil is being produced at a far greater rate *than gas, giving the oil fields a* shorter life expectancy.

The petrol-from-gas technologies are an alternative to liquefaction of the gas, which is expensive

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	30	86	Dubrovnik	S	31	88	Malta	S	31	88	Rhodes	S	31	88
Algiers	S	31	88	Edinburgh	T	15	59	Manchester	R	13	55	Rio de J'o	F	25	77
Amsterdam	F	20	68	Faro	S	32	90	Manila	C	31	88	Rome	F	36	97
Athens	C	35	95	Florence	S	34	93	Melbourne	C	15	59	Salzburg	S	28	82
Bahrain	S	37	99	Frankfurt	S	26	79	Mexico City	F	25	77	San Francisco	F	21	70
Bangkok	F	32	90	Funchal	F	24	75	Miami	C	30	86	Seoul	S	34	93
Barcelona	S	28	82	Geneva	S	27	81	Milan	S	30	86	Singapore	S	31	88
Beirut	-	–	–	Gibraltar	S	26	79	Montreal	S	22	72	Stockholm	F	20	68
Belfast	F	16	61	Glasgow	F	18	64	Moscow	R	23	73	Strasbourg	S	26	79
Belgrade	S	28	82	Guernsey	S	18	64	Munich	S	28	82	Sydney	C	18	64
Berlin	F	23	73	Helsinki	C	18	64	Nairobi	C	20	68	Taipei	F	36	97
Biarritz	C	22	72	H. Kong	F	31	88	Naples	S	35	95	Tangier	S	32	90
Bombay	-	–	–	Innsbruck	S	29	84	Nassau	C	32	90	Tel Aviv	S	31	88
Bordeaux	S	31	88	Inverness	F	15	59	New Delhi	R	28	82	Tenerife	S	27	81
Brussels	S	22	72	Islamabad	C	29	84	New York	F	31	88	Tokyo	S	31	88
Budapest	F	32	90	Istanbul	F	30	86	Nice	S	29	84	Toronto	T	19	66
B. Aires	C	15	59	Jakarta	F	33	91	Nicosia	F	35	95	Tunis	S	33	91
Cairo	S	36	97	Jersey	S	21	70	Oporto	F	20	68	Valencia	F	29	84
Cape Town	S	16	61	Jo'burg	F	19	66	Oslo	F	19	66	Venice	S	29	84
Caracas	C	27	81	Lima	C	16	61	Paris	F	25	77	Vienna	S	29	84
Casablanca	F	33	91	Lisbon	F	31	88	Peking	C	28	82	Warsaw	F	23	73
Chicago	F	27	81	London	C	20	68	Prague	S	27	81	Washington	F	26	79
Cologne	S	24	75	Los Angeles	F	28	82	Reykjavik	C	10	50	Zurich	F	27	81
Copenhagen	F	17	63	Luxembourg	S	24	75								
Corfu	S	35	95	Madrid	S	32	90								
Dallas	S	25	77	Majorca	S	29	84								
Dublin	C	17	63	Malaga	S	27	81								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Irish Distillers bid move

Continued from Page 1

Community market, as well as that of the UK and Ireland," one EC official said yesterday.

The next two weeks is likely to see a continuation of intense negotiations between officials of Commission and GC&C, which began in Brussels yesterday. But the Commission aim at this stage appears to be the dissolution of the GC & C consortium and the complete restructuring of any bid for the Irish group.

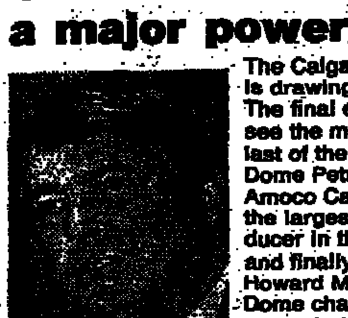
The Irish Fair Trade Office has been asked by the Irish Government to review the bid by August 5. It is expected to take the same line as that set out by Mr Peter Sutherland, the Irish commissioner in charge of EC competition policy. Commission officials were, in any case, adamant that their final decision would take legal precedence over any ruling by a member state.

In London, Irish Distillers' shares dropped 11p to 294p yesterday. The Irish stock market was closed for a bank holiday.

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday August 2 1988

INSIDE

Canada unleashes a major power

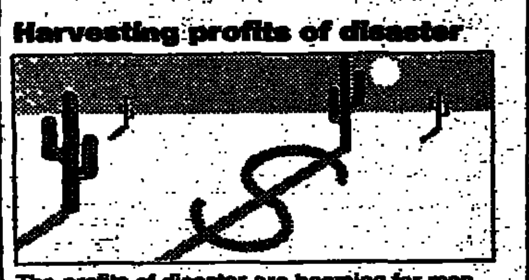


The Calgary soap opera is drawing to a close. The final episode will see the marriage at long last of the struggling Dome Petroleum to Amoco Canada, creating the largest energy producer in the country, and finally freeing Howard Macdonald, Dome chairman, to return to the UK. A recent court ruling ended 15 months of legal wrangling which barred the Amoco takeover of its debt-laden rival. Page 16

Stakes run high in the bid battle for La Suisse

The battle for La Suisse, Swiss life assurance company, is hotting up. As real and threatened offers for the company fly fast and furious, share prices have risen sharply. The latest bid, a sum well in excess of La Suisse's gross annual premiums and more than 23 times its anticipated 1988 earnings, comes from the unlikely Saurer-Gruppe engineering group. John Wicks reports on the takeover war for the Swiss company. Page 17

Harvesting profits of disaster



The profits of disaster are booming for men like Gary Koehn. He farms 2,400 acres of essentially desert land in northern Texas and, despite the drought which has devastated farmers in many other states, he expects an exceptionally good year. Soaring prices, a *comprehensive irrigation system, and, surprisingly*, above average rainfall, have made Mr Koehn one of the few optimistic US farmers this year. Page 30

Davy engineers a US deal

Davy Corporation, the British construction and engineering group with worldwide sales approaching £800m ($1.3bn) is to buy the Pittsburgh-based construction engineering division of Dravo Corporation, US engineering and natural resources group for between $3m and $4m. The purchase will bring new techniques and technologies to Davy, complementing its existing metals process plant operations in the US. Page 20

Muted cheers for new tax rules

LIFFE

A muted cheer rather than a rousing welcome has greeted Britain's long-awaited guidelines on the taxation of financial futures and options. Although the statement has wiped away much of the fog obscuring the such transactions, many still believe authorities could do far more to support the continued development of London-based derivatives markets. Page 18

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (Dm)

Rises			
Conti. Gummi	262.8	+	6.4
Nixdorf	436.2	+	9.2
Deutsche Bab.	179.5	+	3.2
Falls			
Karstadt	420.5	−	7.5
Lufthansa	145	−	1.8
Kaufhof	363.5	−	4.3

PARIS (Frs)

Rises			
CCF	119.5	+	7.5
Sogerap	275.0	+	13.0
Scrag	538.0	+	24.0
La Redoute	2700	+	100
Falls			
Labinal	985.0	−	65.0
Casino	156.0	−	4.7

NEW YORK ($) at 12.30

Rises			
NCNB	24½	+	1⅞
Health Mangt.	14⅝	+	1⅜
McGraw-Hill	67⅝	+	2⅝
Perkin Elmer	24⅞	+	1⅜
Sun Micro.	37¾	+	1⅜
Falls			
Gillette	37⅞	−	2¼

TOKYO (Yen)

Rises			
Sankyo Seiki	1490	+	200
Nippo Thomas	1600	+	200
Noritake	1200	+	120
Falls			
Juken Sangyo	1220	−	80
Suruga Bank	960	−	88
Taito	1170	−	78

LONDON (Pence)

Rises						
Amcliffe	201	+ 19		Lucas Inds.	550	+ 9
Atkins Bros.	388	+ 23		Morland	600	+ 17
BOC	419	+ 10		Next	239	+ 8
Barker (C.)	178	+ 30		P.& O.Dfd.	578	+ 13
Brit. Land	350	+ 11		Rosehaugh	743	+ 15
Chemoxy Intl.	195	+ 24		Stanhope Props.	285	+ 15
Cropper (J.)	228	+ 20		Style	300	+ 25
GKN	335	+ 8		TI	357	+ 9
Glaxo	978	+ 20		Vaux	713	+ 30
Hillsdown Hldgs.	279	+ 7		Vosper Thorn.	200	+ 9
ICI	£10⅞	+ ⅛		**Falls**		
Ulster	121	+ 8		Admiral Comp.	146	− 22

Charlotte's loan star flies in Texas

NCNB drove a hard bargain in its rescue of First RepublicBank, says **Anatole Kaletsky**

TOKYO, London, New York, Charlotte? It would still be an exaggeration to suggest that Charlotte is on its way to becoming an international financial centre. But from now on, this charmingly old-fashioned city of 350,000 souls, which has nestled obscurely since Gone With the Wind days in the rolling green countryside of North Carolina, will figure at least as prominently on the itineraries of the world's financiers as Dallas and Houston did a decade ago. Then, they in their turn were staking claims to prominence as America's fastest-growing centres of banking.

That much has already been achieved by Mr Hugh McColl, the blustering ex-Marine who runs Charlotte's biggest bank, NCNB Corporation. By agreeing to take the insolvent *First RepublicBank* of Texas off the hands of the Federal government, Mr McColl has just catapulted his institution into the top ten US banks in terms of assets.

This alone must the source of some satisfaction for a man who has presided over a doubling of NCNB's assets since he took over in 1983, and who engaged in a well publicised "battle of the skyscrapers" when his bank's main cross-town rival, First Union Bank, began constructing a 42-story building in Charlotte.

Mr McColl, who promptly announced plans to put up a 60-story building, will now sit atop not only the biggest office block in town, but easily the biggest bank outside New York and California.

In winning control of First RepublicBank, however, Mr McColl has also drawn attention more clearly than ever before to the main reasons underlying the huge regional upheavals which have transformed the US banking industry over the past five years – and have located most of the country's fastest growing and most successful lending institutions in such out-of-the-way provincial towns as Jacksonville, Winston-Salem, Columbus and Atlanta, as well as Charlotte.

Regional banks like NCNB have overtaken their money centre rivals in terms of growth, returns on equity and market capitalisation *for three essential* reasons. They largely avoided the Third World lending debacles of the 1970s and early 1980s. They have expanded by emphasising middle market lending and retail services in relatively prosperous regions of the country. And, partly because they were unencumbered by the managerial and financial burdens of the troublesome international loan portfo*lios, they have exploited and* expanded loopholes in US inter-state lending laws, reaping big economies of scale by introducing professional management and advanced technology into dozens of small local banks.

Indeed, North Carolina's leading role in negotiating inter-state banking treaties with other states in the Southeastern region is probably the main reason why it is home to three of the fastest growing banks in the US – NCNB, First Union and First Wachovia.

After this weekend's deal, NCNB will stand head and shoulders above the other super-regionals. Its total assets will be roughly doubled by the First RepublicBank acquisition – from $28.6bn, to somewhere around $54bn after the Federal Deposit Insurance Corporation writes down to market value the Texas institution's $5bn or more in non-performing loans.

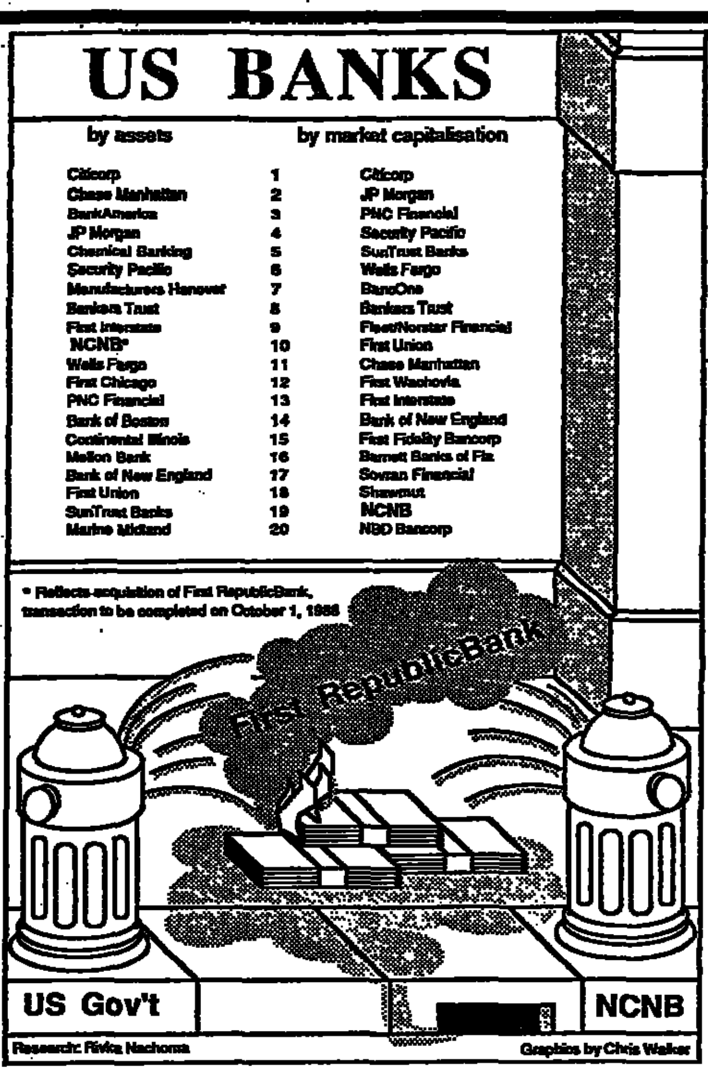
The question now is obvious. Will the expansion into Texas, the graveyard of so many bankers' ambitions, undermine the foundations of its own success in following the tried and true formula of operating in its own region?

Yesterday Mr McColl was busy reassuring a packed analysts' meeting on Wall Street that he had not over-reached his grasp. Not only would the First RepublicBank acquisition immediately add about 25 cents a share or roughly ten per cent to NCNB's annual net profits. It would also not expose the bank to any of the credit risk which normally attended the takeover of a troubled bank at a rock-bottom price, he said.

The fact appears to be that Mr McColl drove a very hard and very effective bargain with the Federal Deposit Insurance Corporation. The FDIC will bear all the credit risk not only on the bad loans already identified in First RepublicBank's balance sheet, but also from any further problems which might emerge over the next two years.

NCNB believes that, starting off with a completely clean slate, it will be able to compete very effectively for a great deal of "good" banking business which is now going begging in Texas because of the collapse of the state's lending institutions.

And on the whole, the analysts who attended yesterday's meeting on Wall Street were inclined to give Mr McColl the benefit of the doubt. NCNB's shares rose $1 to $24⅝ on Wall Street, instead of *declining*.



by assets		by market capitalisation
Citicorp	1	Citicorp
Chase Manhattan	2	JP Morgan
BankAmerica	3	PNC Financial
JP Morgan	4	Security Pacific
Chemical Banking	5	SunTrust Banks
Security Pacific	6	Wells Fargo
Manufacturers Hanover	7	BancOne
Bankers Trust	8	Bankers Trust
First Interstate	9	Fleet/Norstar Financial
NCNB*	10	First Union
Wells Fargo	11	Chase Manhattan
First Chicago	12	First Wachovia
PNC Financial	13	First Interstate
Bank of Boston	14	Bank of New England
Continental Illinois	15	First Fidelity Bancorp
Mellon Bank	16	Barnett Banks of Fla
Bank of New England	17	Sovran Financial
First Union	18	Shawmut
SunTrust Banks	19	NCNB
Marine Midland	20	NBD Bancorp

* Reflects acquisition of First RepublicBank, transaction to be completed on October 1, 1988

Research: Rivka Nachoma — Graphics by Chris Walker

Japan launches Sankyo Seiki dealing probe

By Stefan Wagstyl in Tokyo

THE JAPANESE Ministry of Finance has launched the country's first insider trading investigation since the passage in May of a tough new regulatory code.

The ministry has asked the Tokyo Stock Exchange to probe trading in Sankyo Seiki Manufacturing, the world's largest maker of musical boxes, after its shares rose steeply on Friday ahead of an announcement of a tie-up with Nippon Steel, Japan's biggest steelmaker.

The ministry's move signals a new willingness by the Japanese *authorities to investigate insider* trading after international claims that the leaking of sensitive information is particularly common in Japanese financial markets.

*Also, stock*broking companies have been tightening their in-house regulations.

The MoF is anxious that Tokyo's reputation as a financial centre should not be harmed by the Sankyo Seiki case, which comes only days after a scandal broke over dealings in the shares of Recruit Cosmos, a property company, before it was listed in 1986.

Business and political figures, including a private secretary to Mr Noboru Takeshita, the Prime Minister, have been implicated in the Recruit affair.

The stock exchange investigation into Sankyo Seiki dealings will try to establish whether information was leaked before the agreement was announced.

The exchange is asking stockbrokers for details of transactions – including the disclosure of customers' names.

Mr Rokuichi Yamada, president of Sankyo Seiki, said no information had been leaked.

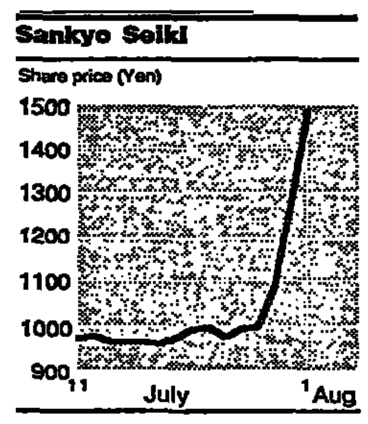
The company had been strict about controlling information before the agreement with Nippon Steel was announced after the stock market closed on Friday afternoon.

Movements in the company's shares before the announcement were so dramatic that the stock exchange suspended dealings in Sankyo Seiki in advance of the announcement.

Before that the shares had risen Y90 to reach Y1,090 in the morning, as 550,000 shares were traded in the half-day – compared with a daily average of 90,000 over the previous two weeks.

Aside from the present controversy, for Sankyo Seiki the deal with Nippon Steel marks the end of a long quest for corporate stability.

Under the agreement the steelmaker is buying an 18.1 per cent stake. Although no price was disclosed on the deal, Sankyo Seiki shares resumed trading yesterday and soared further to close at Y1,490, valuing the whole of the company at some Y116.1bn ($872.8). This is nearly half as much again as its value last Thursday night.



Nippon Steel bought the stake from Tokyo Pigeon, a Sankyo Seiki subsidiary which had purchased the holding in March from Minebea, a manufacturer of ball bearings.

Minebea had been stalking Sankyo Seiki for the previous three years in a rare Japanese example of a contested takeover bid.

Japanese insider trading law was revised after a scandal last year surrounding trading in shares of Tateho *Chemical*, an Osaka chemicals company.

Tateho's main bank sold shares in Tateho just before the company announced big losses in bond futures trading. An investigation by the Osaka Stock Exchange revealed no wrong-doing but a storm of public protest forced the Government to change the law.

Foreign brokers in Tokyo, however, remain sceptical about whether the new laws will change the attitudes of Japanese companies, brokers and investors – or merely make them more discreet.

They say that the close links between Japanese finance and industry make it difficult to catch insider traders.

Prosecutions for stock exchange cases are also hard to come by.

Last week, the Tokyo High Court upheld guilty verdicts on four securities company executives and two senior officials of Kyodo Shiryo, a food company. The defendants were all charged with manipulating the price of a new issue.

The company was fined just Y300,000 and the individuals alleged to be involved received suspended prison sentences.

The charges related to events in 1972.

NCNB plans to build on London strengths

By David Lascelles, Banking Editor, in London

MR PETER James, NCNB's chief representative in London, paid a call on RepublicBank of Dallas' London office yesterday morning in what was probably the most far-flung of many getting-to-know-you meetings between officers of both banks.

However, the two banks' UK branches will not be combined because of the way the rescue has been structured, with NCNB assuming only partial ownership of the Dallas bank in the first instance.

London is, for both banks, the most important overseas centre. NCNB has three lines of business in the City. The first is a com*mercial banking operation which* includes corporate lending and a substantial foreign exchange dealing business. The bulk of its revenues comes from fee-earning activities.

NCNB also has a merchant bank and a stockbroking business based on Panmure Gordon, the stockbroking firm which it agreed to buy three years ago in connection with the Big Bang, when many large US banks bought UK stockbrokers to build up their investment banking *business*.

NCNB's total payroll in London is over 300, with about 240 of that number accounted for by Panmure Gordon.

First RepublicBank of Dallas employs 33 people *in London* and is principally engaged in commercial banking. Some of its operations have had to be trimmed back because of the bank's problems in the US. Funding difficulties and staff departures have also hurt its business. However, NCNB has learnt from *US bank regulators that the loan* book of the London branch is sound.

Mr James said NCNB has ambitious growth plans in Lon*don, though he did not expect* the bank to make any dramatic new moves. "I expect we shall continue to build on our strengths," he said.

Irish bid a godsend to EC interventionists

By David Buchan in Brussels

With its intervention in the hostile bid by the GC&C Brands consortium for Irish Distillers, *the Bushmills and Jameson* whiskey group, the European Commission has taken a step nearer its ambition of getting the power to vet big EC mergers or takeovers before they actually take place.

By sending GC&C a "statement of objections" complaining that the manner, and effect, of its bid offends EC competition rules, the Commission is launching its first ever *pre-emptive* strike to freeze, if not definitively block, a takeover before it actually takes place.

The Commission has given GC&C – a consortium of the UK drinks groups Grand Metropolitan, Allied-Lyons and Guinness – two weeks to answer its objections. In the meantime, it has proposed that the consortium should not "conclude any further agreements *for* the sale of shares for Irish Distillers, unless such agreements are specifically made conditional to the approval of the takeover bid by the Commission."

If the Commission finds GC&C's replay unsatisfactory, it will turn its proposal into a mandatory injunction on further share-buying, in the form of a legally-binding "interim measure."

It is something of a quirk that has allowed Brussels a prior merger control in this case. It can normally only intervene under *Articles 85 and 86 of the* Treaty of Rome which, respectively, ban conspiracies to restrict competition and abuse of dominant market position after mergers are consummated.

However, the "manner" in which GC&C has conducted its bid, say EC officials, gives the Commission the right to intervene at this stage. The creation of the GC&C consortium specifically to bid for Irish Distillers, and their announcement how they would share out the brands, are apparent infringements of Article 85, the Commission says.

*An EC official with long experi*ence of competition matters said yesterday he could not recall another instance of a "joint venture" approach to a takeover bid. Nevertheless, it comes as something of a godsend to a Commission keen to extend its powers into prior control of large-scale mergers.

Recent actions in two UK bids may have given a misleading impression *that Brussels already* has the power to vet mergers. Last March, the Commission got British Airways to cede certain airport slots and routes that it would otherwise have gained in *its takeover of British Caledo*nian. But Brussels only acted after the BA/B.Cal merger. More recently, it intervened in the sale of Rover Group to British Aerospace, but that action was not on *monopoly grounds*, but on the issue of unfair state aid.

Mr Peter Sutherland, the Irish Commissioner responsible for *competition*, has taken action in the Distillers case with relatively little fanfare, perhaps for fear of being seen as favouring home country interests. But it could prove an important test case of how he would handle the new merger control powers the Commission is seeking.

Brussels wants the automatic right to vet in advance all cross-border mergers of companies with a combined turnover of ECU *1bn a year (where not more than* 75 per cent of this combined turnover is in one member state). The GC&C bid for Irish Distillers would certainly fit into this category. Nowhere will the Commission's role in this be watched more closely than in Britain. The UK Government is now the only one of the 12 member states which continues to oppose passing control of Community-scale mergers and takeovers to Brussels.

Gillette fends off Coniston

By James Buchan
in New York

GILLETTE, the *big* razor and consumer products company which has spent two years fighting the threat of takeover, yesterday appeared to have routed an attempt by Coniston Partners, New York *investment firm, to* force the sale of the company.

In a sudden armistice which caused the Boston company's stock to tumble on Wall Street, Coniston agreed to drop its legal challenge to the *victory* won by Gillette's management in a proxy fight for board seats earlier this summer.

The tiny investment firm, which is Gillette's largest stockholder with 6 per cent of the company, also promised not to seek control of Gillette for three years.

Coniston, which has made a success of forcing big companies to re-organise operations or sell off businesses, put a brave face on its retreat.

Gillette has agreed to buy back shares from all shareholders at a small premium to the market and waive agreement with 10 companies, including such giants as Colgate-Palmolive, barring them from buying or bidding for Gillette stock.

"It's the best the company can do from a financial restructuring standpoint," said Mr Augustus Oliver, one of three investors who run Coniston.

"And there's still a possibility somebody will make an offer for the company."

The deal caused Gillette stock to fall $2 to $38⅛ in early trading as disgruntled takeover speculators sold off holdings.

The buy-back, which involves buying one out of seven shares held by each stockholder for $45, will cost $720m and will leave the company so highly leveraged it may not be attractive to a purchaser, analysts say.

INTERNATIONAL COMPANIES AND FINANCE

Amoco clears last Dome hurdle

The C$5.5bn takeover of Canada's largest energy group is now expected to be completed by the end of September, after more than 15 months of legal wrangling, writes DAVID OWEN, recently in Calgary

The thoughts of Scottish-born Mr Howard Macdonald, chairman of Dome Petroleum, are beginning to stray to his home in the UK stockbroker belt as the protracted tussle over Amoco's takeover of his company appears to be drawing to an end.

The recent endorsement by the Alberta Court of Queen's Bench of Amoco Canada's C$5.5bn (US$4.6bn) takeover plan for the debt-laden Calgary energy company removed the last major hurdle blocking the proposed merger.

Amoco now expects to close the deal by the end of September. This would conclude what has become a particularly tortuous corporate soap opera and leave Mr Macdonald free to return to home in the south of England.

The court ruling culminates 15 months of legal wrangling in which – slowly but surely – secured and unsecured creditors, a large majority of shareholders and the Canadian Government have been persuaded to back Amoco's offer.

Since Dome's main lenders persuaded Amoco last November to increase its original C$5.1bn bid, the two parties have endured a series of court challenges by shareholders claiming more money or a stake in the new company. According to some estimates, overall legal costs have averaged C$4m a month since April 1987 when the takeover agreement was struck.

Technically, the judge's decision is subject to appeal and indeed may be challenged by Mr Abdulrehman Premji, a businessman, who claims to have made a higher offer than Amoco for Dome.

In addition, a troublesome outstanding C$400m loan, which the lenders – Japan's Arctic Petroleum – are unwilling significantly to write down, could still scupper the proposed takeover. Realistically, however, few expect Amoco to be thwarted.

Under the terms of the deal, secured creditors (who are owed C$3.4bn) will receive 95.4 cents for each dollar due to them, while unsecured creditors (owed C$2.1bn) will have to make do with 45 cents. Dome's common shareholders, who paid as much as C$25 a unit for their stock, will get US$ 1.13 a share in Amoco securities. Preferred shareholders will receive US$ 5.60 a share.

On the basis of barrels of oil equivalent, the transaction will create the largest energy producer in Canada. In sum, the new company will produce approximately 125,000 barrels of oil, 750m cu ft of gas and 2,000 tonnes of sulphur daily. It will have 5,300 employees, net land holdings of some 14m acres, assets of some C$8bn and annual revenues of close to C$3bn.

Dome alone boasts some 17,000 producing wells, 160 gas processing plants, 3,200km of pipelines and various liquid natural gas facilities.

The two companies present a good fit: more than 40 per cent of Amoco's conventional oil reserves in western Canada are located on properties where Dome has an interest.

The acquisition will significantly increase the importance of natural gas to Amoco, transforming the Chicago-based parent company into the richest holder of natural gas reserves in North America. After the deal is completed, the corporation's reserves will consist of some 52 per cent natural gas and 48 per cent oil. This compares with a ratio of 40 per cent gas to 60 per cent oil 10 years ago. In total, Amoco will be buying 212m barrels of oil and three trillion (million million) cu ft of gas in proven reserves.

In the longer run, however, Dome's most valuable asset may prove to be its vast 11.4m-acre undeveloped land holdings. Amoco, which is shortly to move to new premises in Calgary, is essentially gambling that these properties will yield significant marketable reserves. Dome's drilling programmes have for several years been impeded by its debt problems.

It will be some time before Amoco knows whether its gamble has paid off. In the meantime, Mr Don Stacy, Amoco Canada president, has indicated that the company expects to raise about C$1bn from property and investment sales. These would include the disposal of Dome's 8 per cent stake in Placer Dome, the largest western world gold producer outside South Africa.

As part of the price for securing government approval of the deal, Amoco has guaranteed that it will allocate at least C$2.5bn to capital spending over the next five years and has pledged to keep lay-offs to a minimum. Several senior Dome executives, in addition to Mr MacDonald, are known to be leaving, however.

Amoco has also promised that 20 per cent of Amoco Canada's voting stock will be made available to Canadian investors in a series of offerings which would begin within five years of the completion of the Dome purchase.

According to Mr Stacy, the new company's debt would total some C$4bn, but he expects the level of debt to fall quickly.

The delay in approving the deal, while irritating to both parties, has at least given them the opportunity to consider thoroughly the consequences of joining forces. For more than a year, countless bilateral committees have been preparing the ground. "We are ready to merge with a high level of understanding between the two parties," is the view of Mr Macdonald.

The takeover will complete the demise of a 38-year-old company which was undone by too many debt-financed acquisitions and the end of Opec hegemony in the oil market which resulted in a fall in oil prices.

In retrospect, perhaps the biggest single blunder was the C$4bn purchase in 1981 of Hudson's Bay Oil and Gas. According to the company's latest quarterly report for the period ended March 31, Dome's overall liabilities have now reached C$6.6bn.

Pullman in $650m buyout

By Our Financial Staff

THE PULLMAN Company, a leading maker of truck trailers, has agreed to a $650m buyout by Forstmann Little & Co, a private US investment firm. An earlier agreement for a takeover by a management-led group has been dropped.

The pact involves a cash payment of $9.25 a share for Pullman's 41.9m outstanding shares, plus the assumption of existing debt and expenses which will bring the total price of the buyout to about $650m. The transaction is fully financed and is not subject to a financing condition.

The buyout was conditional on Pullman terminating its earlier agreement for a $7.75 a share buyout by a group led by Thomas M. Begel, the company's chairman and chief executive, and Henley Manufacturing, Pullman's biggest shareholder with 9 per cent of the company's shares.

Mr Begel said Pullman employees would be provided with "new opportunities," given Pullman's new connection with Forstmann Little. "We also believe that Forstmann Little's very attractive low cost capital will provide Pullman with substantial operating flexibility."

Printworker fired over magazine leak

R.R. DONNELLEY & Sons has fired one employee at its Old Saybrook, Connecticutt printing plant and suspended another as a result of its investigation into unusual pre-publication stock activity linked to Business Week magazine articles, AP-DJ reports from Chicago.

Donnelley also said it had suspended an employee in its Torrance, California, printing plant in connection with the investigation. The employees were identified.

The move came after a production worker at the Connecticut plant admitted furnishing advance copies of Business Week's Inside Wall Street column to a former stockbroker with Merrill Lynch & Co.'s New London, Connecticut office.

Last Friday, Prudential-Bache, the Wall Street investment firm, fired one broker and Advest, a smaller brokerage, suspended a second in connection with advance leaks of Business Week stock tips.

Wessanen in US acquisitions

By Our Financial Staff

WESSANEN, the big Dutch foods processor and distributor, has acquired two distributors of health foods products in the US for an undisclosed price.

It purchased Gourmet Foods, of St Paul, Minnesota, and Award Foods, of Dallas, from their unidentified sole shareholder. The two US companies produce and market a wide range of branded health food products and operate delicatessens in the midwest and southwest US.

Their consolidation into Wessanen's annual accounts will have "a favourable" impact on the Dutch parent's annual earnings as well as worldwide sales.

The acquisitions are in line with Wessanen's stated intention of expanding internationally, notably in the US, where the company already derives about 35 per cent of its Fl 3.7bn ($1.75bn) a year in worldwide sales.

Dutch foods and consumer products groups, such as Wessanen, and retailers Ahold and Vendex International have built up a large presence in the US market in recent years.

Wessanen said Gourmet Foods and Award Foods have combined annual sales of around $60m and together employ 280 workers. The two companies will be merged into Wessanen's Tree of Life health foods distribution division of its Wessanen USA subsidiary.

IBM's new range in demand

By Hugo Dixon

INTERNATIONAL Business Machine's strategy for rebuilding its share of the market for mid-range computers is proceeding better than expected, according to a senior executive at the world's largest computer company.

In June, IBM launched a new line of mid-range computers – the AS/400 – with the aim of fighting back at rival manufacturers such as Digital Equipment of the US, which has been particularly aggressive in this sector of the market.

Mr Bill Grabe, who was in charge of the worldwide launch of the AS/400 range, said in London yesterday that orders for the new machines were running ahead of expectations and many customers were ordering machines from the more powerful end of the range.

Mr Grabe said 60 per cent of the orders were for the more powerful varieties, compared with the 40 per cent that the company had expected. Most of the orders would turn into actual sales, because over 80 per cent of customers had said they wanted the new machines delivered this year.

The strength in demand for the more powerful machines meant that there might be a three to six months delay in the delivery of some peripheral equipment, Mr Grabe said. However, he was confident that IBM would be able to satisfy demand for basic units.

Europe is generating more orders for the AS/400 computers than North America – the first time Europe has been the largest market for one of IBM's main products.

Rising costs hit Gould profits

By Our Financial Staff

GOULD, the US computer and electronic products group, saw second-quarter earnings decline as lower results from its electronic systems and higher net interest expenses offset progress elsewhere in the group.

Second-quarter net operating earnings came out at $6.8m or 15 cents a share, compared with $11.2m or 25 cents, last time. Revenues advanced to $196.4m from $189.8m.

At the halfway stage net operating earnings were down at $17.7m or 39 cents, against $19m or 43 cents, on revenues of $403m, up from $373m.

The year-ago earnings included dividend income from preferred stock and a gain from the sale of real estate, both non-recurring items.

Gould said the decline in information systems revenue and earnings, which make up the electronic systems segment, was primarily the result of softness in domestic computer demand.

The instrument systems segment, however, recorded higher earnings on increased revenue while similar progress in the electronic components segment mainly reflected a significant improvement in the semiconductor business.

The company said new orders in the second quarter were $205.1m, about 14 per cent higher than the $180.8m in the 1987 second quarter.

Provigo in Californian deal

By Robert Gibbens in Montreal

PROVIGO, Canada's second largest food distributor after the Weston group's Loblaw, is buying 15 California supermarkets from Lucky-Alpha Beta.

The price was not disclosed but it is estimated to be around US$30m. Lucky-Alpha Beta, which was created following the takeover of Lucky Stores by American Stores, the third largest US food retailer, in May. Lucky operates about 500 supermarkets the majority of which are in California.

Provigo has for several years been trying to expand an existing wholesaling operation in northern California into retailing, and analysts had feared it might attempt an acquisition difficult to digest.

However, early this year Provigo made clear it would move step by step and bought 11 supermarkets in San Francisco for an estimated US$25m.

The two retail acquisitions represent retail sales of around US$250m. Together with the wholesaling operation and retail services to independent operators, Provigo's total food distribution volume in California will be about US$650m, and it is expected to make further small acquisitions.

In its latest year Provigo earned C$67.22m (US$56m) or 80 cents a share on total volume of $6.4bn.

● Glaverbel of Belgium, in partnership with a Canadian group, is to build a C$140m flat glass manufacturing plant near Quebec city with capacity of 500 tonnes daily and due onstream in 1990.

NORTH AMERICAN QUARTERLY RESULTS

AVON PRODUCTS
Toiletries, cosmetics

	1988 $	1987 $
Second quarter		
Revenues	752.9m	640.3m
Op net income	37.6m	36.4m
Op net p/shr	0.53	0.52
Six months		
Revenues	1.42bn	1.19bn
Op net income	44.8m	53m
Op net p/shr	0.63	0.76

DELTA AIR LINES
Airline

	1987/8 $	1986/7 $
Fourth quarter		
Revenues	1.88bn	1.57bn
Net income	103.3m	58.8m
Net per share	2.11	1.21
Year		
Revenues	6.92bn	5.32bn
Net income	306.8m	263.7m
Net per share	6.30	5.90

EXXON
Energy

	1988 $	1987 $
Second quarter		
Revenues	1.27bn	1.42bn
Op net income	40.5m	100,000
Op net p/shr	0.66	#0.26
Six months		
Revenues	3.05bn	3.01bn
Op net income	115.9m	48.2m
Op net p/shr	2.07	0.55

Loss

HARLEY-DAVIDSON
Motorcycles

	1988 $	1987 $
Second quarter		
Revenues	204.9m	185.5m
Op net income	8.7m	5.45m
Op net p/shr	1.15	0.88
Six months		
Revenues	378.3m	347.8m
Op net income	14.8m	9.15m
Op net p/shr	2.05	1.52

SOUTHWEST AIRLINES
Domestic carrier

	1988 $	1987 $
Second quarter		
Revenues	208.9m	197.6m
Net income	15.1m	635,000
Net per share	0.48	0.02
Six months		
Revenues	379.9m	369.8m
Net income	15.3m	#9.2m
Net per share	0.49	n/a

Loss

ST PAUL COMPANIES
Insurance

	1988 $	1987 $
Second quarter		
Revenues	900.5m	822.8m
Op net income	75.9m	77.9m
Op net p/shr	1.59	1.63
Six months		
Revenues	1.75bn	1.66bn
Op net income	159.2m	147.9m
Op net p/shr	3.32	3.09

TENNECO
Oil and gas

	1988 $	1987 $
Second quarter		
Revenues	3.94bn	3.73bn
Net income	154m	46m
Net per share	1.00	0.24
Six months		
Revenues	7.94bn	7.36bn
Net income	217m	75m
Net per share	1.38	0.32

WANG LABORATORIES
Office equipment

	1987/8 $	1986/7 $
Fourth quarter		
Revenues	822.8m	824m
Net income	13.4m	32m
Net per share	0.08	0.20
Year		
Revenues	3.07bn	2.84bn
Net income	92.7m	#70.7m
Net per share	0.56	#0.44

Loss

INTERNATIONAL COMPANIES AND FINANCE

Unprecedented battle of La Suisse suitors

John Wicks reports on the continuing fight over a Lausanne insurance company

LAST WEEK'S announcement of an increased bid for La Suisse, the Lausanne insurance company, by Mr Tito Tettamanti's Saurer-Gruppe Holding means the continuation of an unprecedented battle on the Swiss stock market.

The latest in a round of public offers, this represents a price of SFr672m ($433m) if all shares are acquired – a sum well in excess of La Suisse's gross annual premiums and more than 23 times the expected 1988 earnings.

In May, the board of La Suisse proposed a series of measures to ward off unwelcome bids and "preserve the Swiss character of the company." This apparently referred to advances that had been made by Allianz, the leading German insurer.

The statutes were subsequently revised to limit entry to the company's stock ledger, but a capital restructuring proposal which would have put voting control temporarily in the hands of Swiss Bank Corporation was withdrawn after hefty opposition from shareholders.

On July 19 the real battle began, though with domestic protagonists. Mr André Grebler, a Swiss citizen resident in Spain, made a bid of SFr7,200 per registered share for a 51 per cent stake in La Suisse.

This bid, since withdrawn, was followed by one of SFr10,000 by Saurer-Gruppe Holding for at least two-thirds of the Lausanne company's 48,000 registered shares. A few days later Swiss Life Insurance and Pension (Rentenanstalt) offered SFr12,000. Last Friday afternoon Saurer replied by raising its bid to SFr14,000.

This series of threatened and actual offers has had a corresponding effect on share prices. A SFr500 La Suisse registered share, which had been quoted at SFr3,500 at the end of 1987, more than doubled its price after the fluster in May, going up to SFr8,500 before Saurer's first offer.

The Swiss Life bid and the second Saurer offer brought the quotation up to SFr9,650 last Thursday and SFr12,200 at the end of the week's trading. Further increases are expected this week.

At first glance, this might seem an excessive development. La Suisse last year ranked as Switzerland's eighth biggest life assurance company and in only 15th place as a non-life insurer. Combined 1987 premiums for the life-assurance parent and its non-life subsidiary were a relatively modest SFr609m. At Friday's price, dividend yield on the 1987 pay-out was only 0.7 per cent.


Tito Tettamanti: logical consequence of expansion

But analysts have put the intrinsic value of the share at between SFr12,800 and SFr13,200, a figure which complies with the Swiss theory that insurance companies' premium income per share is close to material assets value.

Furthermore, both remaining bidders are interested in obtaining control over La Suisse. Mr Tettamanti, who in April sold his substantial stake in the Sulzer Brothers Swiss engineering group to Mr Werner Rey's Omni-Holding, sees entry into the insurance sector as a "logical consequence" of the expansion of Saurer.

The Arbon-based company, whose operations are centred on the building of textile machinery and other engineering activities, is intended to "acquire a broad portfolio" of holdings in promising industrial and service companies. Elsewhere, Mr Tettamanti this June joined US investors in a $263m deal to buy the phosphate fertilisers business of W.R. Grace.

Swiss Life, whose SFr12,000 bid still stands, has opposed both Mr Grebler and Saurer as being outsiders to the insurance business. The Zurich company, the country's biggest life insurer, would welcome the addition of La Suisse, which it also feels shares a corporate philosophy.

It is not yet clear who will win the day. La Suisse's board continues to back the Swiss Life bid despite Saurer's having upped the ante and the fact that Swiss Life has said SFr12,000 is its last word.

La Suisse, attracted by the "European dimensions" which a link to the industry leader would bring, has already said it would in the case of Swiss Life lift the new statute forbidding any shareholder from holding more than 2 per cent of the capital.

At the same time, Dr Elka Gouzer-Wächter, La Suisse shareholder spokeswoman who was instrumental in bringing down the SBC proposal in May, has talked to Mr Tettamanti and expressed her approval of his promise to leave the company in Lausanne

The La Suisse deal is only one example of the unrest in the Swiss insurance market. The Union Suisse concern in Geneva was recently acquired by Generali of Italy. The Baloise Group this spring had to introduce registration rules to ward off an acquisition attempt, apparently by a French insurer.

Sulzer buys Bingham for $60m

By Nick Garnett

SULZER, the Swiss equipment company, is pushing into the US pump market, following its purchase of Bingham International, a large US pump manufacturer. The acquisition is a further piece of consolidation within the industry.

The purchase confirms Sulzer as the second largest European-based pump maker, after KSB of West Germany and ahead of Weir in the UK.

Sulzer is believed to have paid Bingham's parent, the Californian group Guy Atkinson, between $60m and $70m. Sulzer has held a minority stake in the Oregon-based company for about 18 months.

Bingham, which employs 700 and manufactures a range of pumps, especially for the oil and nuclear power-generation industry, has annual sales of about $70m. It has four factories in the US and Canada.

The purchase will lift Sulzer's expected worldwide sales this year to more than $250m.

A series of acquisitions in the past few years has tended to concentrate power in a fewer number of large pump makers. Recent ownership changes have included KSB's purchase of Pumpes Guinard in France, the acquisition of Pleuger in West Germany by Dresser of the US and Weir's purchase of another UK-based company, Mather and Platt.

Agache to boost LVMH position through Dior

By George Graham in Paris

MR BERNARD ARNAULT, chairman of Financière Agache, is on the point of reinforcing his position in Moët Hennessy-Louis Vuitton LVMH, the champagne, cognac and luxury goods conglomerate which still seems to be suffering from internal rifts.

Mr Arnault, who together with Guinness, the UK drinks group, has built up a 27.7 per cent stake in LVMH over the past month and is steadily climbing towards 30 per cent, will raise an estimated FFr3.3bn ($523m) through a private placing of Christian Dior, the couture house 99.8 per cent controlled by Agache group.

Dior will also receive Agache's 60 per cent stake in Jacques Rober, the company created with Guinness to hold their joint stake in LVMH. Dior will thus become a luxury sector holding company valued at FFr8.888bn by Cholet Dupont, the stockbroking firm partly owned by Crédit Lyonnais.

The placing is likely to involve 331,000 shares priced at FFr105,300 each.

The operation will release more than FFr3bn, on top of the FFr2bn of cash Mr Arnault still retains, and could be used to increase the Agache stake in LVMH. Those close to the deal believe Mr Arnault wants to be ready to buy in case any of the Moët-Hennessy or Vuitton founding families decides to sell.

At the same time, Mr Arnault appears to have strengthened his position in LVMH through a new distribution of board seats. The group will ask an extraordinary shareholders' meeting on September 22 to change its statutes, creating a management board and a separate supervisory board similar to the usual West German structure.

The management board is expected to include at least four members: Mr Alain Chevalier, chairman of LVMH and leader of its drinks faction; Mr Henry Racamier, vice chairman and head of the Vuitton clan; Mr Jean-Louis Masurel, group managing director; and Mr Arnault.

Mr Racamier, who has continued to express his worries about an eventual dominance of LVMH's drink interests over its luxury goods operations, refused the chairmanship of the supervisory board, which is, none the less, expected to be chaired by a Vuitton representative.

The likely composition of the 12 man supervisory board is described as evenly balanced between three camps: Arnault, Moët Hennessy and Vuitton.

But the Moët Hennessy camp includes Mr Anthony Tennant, chief executive of Guinness, although he is Mr Arnault's partner in the Jacques Rober holding company, and Mr Bruno Roger, who is unlikely to vote against Mr Antoine Bernheim, his colleague at Lazard Frères.

Mr Bernheim, a long-standing adviser of Mr Arnault, is expected to be one of his representatives on the supervisory board.

Philips ups control on US unit

By Our Financial Staff

PHILIPS, the Dutch-based electronics group, yesterday announced a further tightening of control over its North American Philips (NAPC) subsidiary, which is beginning to recover after some years of struggling against intense competition.

The Eindhoven-based multinational said it named Mr Gerrit Jeelof chairman and chief executive of NAPC, a wholly owned subsidiary, effective September 1. He replaces Mr Cees Bruynes, another Dutchman who has been chief executive of the company since 1978.

Philips said the appointment of Mr Jeelof, who is an executive vice president and vice chairman of the management board and group management committee of the parent company, was made to further integrate its US operations into the global activities of the company.

As part of the reorganisation, Philips said it had also created a new unit, Consolidated Electronics Industries, effective September 1. Mr Bruynes will be chairman and chief executive of the unit.


Gerrit Jeelof: new chairman

Philips said the new US company would include a number of North American Philips businesses whose activities are unrelated to Philips' product lines, as well as its defence systems division.

Businesses owned by Consolidated Electronics will include electromechanical products, tooth brushes and medical brushes, cable television systems, home products and orchestra instruments.

Consolidated Electronics will be a wholly owned subsidiary of North American Philips with its own management structure, headquarters and board of directors. It will operate separately from North American Philips, both legally and financially.

Philips is aiming at four business areas, consumer electronics, lighting, information technology and electronic components, as core global activities. NAPC's results have fallen sharply over recent years but it has made progress turning round the consumer electronics and lightings sectors.

About half of NAPC's $1.49bn in consumer electronics comes from televisions.

Last week, Philips reported sharply lower earnings for the second quarter.

Baer income exceeds target

By William Dullforce in Geneva

BANK JULIUS Baer, the Zurich-based bank, has forecast a "satisfactory" 1988 result after reporting that income in the first six months exceeded its "ambitious" budget target. It disclosed no profit figure.

The balance sheet total climbed by 16 per cent to SFr3.38bn ($2.18bn) during the six months. Capital and reserves increased from SFr284m to SFr309m.

Ical shuns rival's A$53m bid

By Bruce Jacques in Sydney

THE BATTLE for control of Australia's strategic naval shipbuilding capacity took another turn yesterday with directors of Ical, formerly an offshoot of the UK-based International Combustion group, strongly rejecting a A$53m (US$42.7m) bid.

The offer comes from Ical's industry rival, the privately owned Transfield group. At stake is control of the Williamstown dockyard in Victoria, a former naval establishment recently privatised by the Federal Government.

With it comes a potential major share of the Government's proposed Anzac shipbuilding programme, worth an estimated A$5bn over the next few years.

Ical directors released an independent report from Partnership Pacific, a merchant bank, valuing the company's shares at between A$2.64 and A$3.12, well above the A$2.35 offered by Transfield. They said shareholders accounting for more than 40 per cent of the company's capital had stated they would not be accepting the Transfield bid.

As Transfield itself holds 34 per cent of Ical's capital, this leaves few shares "in play." But in a complication to the long-running saga, Transfield is under a court order to sell its Ical stake down to below 20 per cent.

The independent report showed that Ical is forecasting a 16 per cent increase in after-tax earnings for the current September year to A$7.6m and an 18 per cent lift in the dividend to 13 cents a share.

In other takeover developments yesterday, New Zealand-based Chase Corporation (unconnected with Chase Manhattan of the US) launched a A$44m mop-up offer for its subsidiary, Jonray Holdings. The offer is 84 cents cash a share and 5 cents cash per Jonray option.

Chase, an investment and property company, already controls 53.7 per cent of its target's capital and the bid follows asset sales totalling nearly A$40m by Jonray. Most were purchased by two Jonray executives, Mr Ross Grant and Mr Mark Scott, formerly among Australia's leading merchant bankers.

Chase directors said yesterday Mr Grant and Mr Scott had agreed to accept the new bid and after 100 per cent control was achieved Jonray would be delisted.

Poseidon, former nickel boom high-flier, has altered the terms of its A$63m paper bid for Anglo American Pacific, to win acceptance from Anglo's parent, Anglo American group of South Africa.

Previously, Poseidon's bid was two of its shares for each nine Anglo shares and one Poseidon option for each two partly-paid Anglo shares. Poseidon will now also offer two of its options for every 27 fully paid Anglo shares and will allow Anglo shareholders to keep 2 cents per unit out of any dividend declared before August 23.

Mayne Nickless continued the overseas push by Australian transport and security companies by purchasing Commercial International de Seguridad, a Spanish security group, for an undisclosed price.

Mr Lindsay Bytheway, Mayne Nickless' executive director for finance and administration, said the company was also "examining other opportunities in the security industry as a prelude to the deregulation of the European market in 1992."

Liffe gives taxman a muted cheer

Dominique Jackson on Revenue guidelines for futures and options

A muted cheer rather than a *rousing* welcome has greeted long-awaited Inland Revenue guidelines on the taxation of financial futures and options.

Many UK pension funds, insurance companies and unit trusts had been awaiting a statement of practice from the tax authorities before moving to increase their use of futures and options.

Since last October's equity crash, the market has been far more risk-aware and, despite an inevitable post-crash setback, institutional interest in derivatives is now increasing dramatically. Volumes traded in London could well increase substantially following the clarification of the tax position.

"This development goes a long way towards creating an environment in which institutional investors can use these instruments for the purposes for which they were intended – that is to manage their exposure to risk," said Mr David Heron, director of risk management and derivative products at James Capel, the stockbroker.

However, while the statement has wiped away much of the definitional fog obscuring the tax treatment of futures and options transactions, many market participants still believe that the UK authorities could do far more to support the continued development of London-based derivatives markets.

A widely held goal is to have futures and options accorded symmetry of tax treatment with the securities and instruments which underly them – a step which many point out would greatly simplify the whole taxation process at the same time.

However, a combination of bureaucratic red tape and persistent suspicion about the use of derivative products is likely to delay this development and could conceivably drive the markets offshore or to rival European financial centres in the interim.

Since the derivatives markets first started in London – traded options a decade ago and financial futures trading in 1982 – UK institutions have held back from large-scale participation. This was largely because the distinction between hedging transactions – considered capital in nature and thus tax-exempt for the institutions – and speculative trading, which would be liable to *income tax, remained* unclear.

The blurred distinction between hedging and speculation arises to some extent from early associations between futures and options trading and gambling. In West Germany, although futures and options trading is scheduled to commence next year, the development of derivatives markets has been markedly slowed by uncertainties over the potential infringement of gaming laws.

Several UK market bodies, ranging from the London International Financial Futures Exchange, the Stock Exchange and the main traded options brokers to the National Association of Pension Funds, have waged a long campaign for clearer rules in line with the fairly straightforward guidelines currently in force in centres such as Paris and Amsterdam.

After more than two years of talks, the tax authorities' statement effectively delineated where the Revenue stands on the more visible areas of derivatives trading. It gives a definition of a hedging transaction and lists other transactions which are likely to be regarded as capital in nature.

"It is most welcome to see some kind of response from the authorities," commented one senior fund manager. "This finally clarifies their position on hedging and will no doubt open the way to more efficient risk management for many institutions." Up to now, institutions have not generally participated on a regular basis, and, if so, have usually concentrated on one or two specific products. Few institutions employ derivatives specialists, although this could change now their tax position is somewhat clearer.

The Revenue's statement offers a handful of examples to illustrate transactions which might be treated as giving rise to capital gains and losses.

Michael Jenkins: 'no mention of anticipatory hedges'

These include: buying a foreign currency future before the purchase of an asset denominated in that currency or the purchase of an option in respect of an underlying asset as the first step towards acquiring the asset itself.

Investors in gilts or in the stock market may sell gilt or index futures to safeguard the value of their capital investment against a drop in the cash markets.

Nevertheless, there are still some grey areas left untouched upon in the new guidelines, according to Mr Michael Jenkins, Liffe chief executive. "There is no mention, for example, of anticipatory hedges – when a market participant takes a hedging position to cover a cash-flow expected in two to three months' time but which may not ultimately take place," he said.

While the latest statement has been welcomed as a conclusive pronouncement on the tax treatment of derivatives to reduce risk, many market participants are still pushing for the authorities to address satisfactorily the question of futures and options as direct investments.

This is a major concern of the Association for Futures Investment, a pressure group for the wider investment use of futures, which has called for a clear statement of practice on the taxation of futures transactions by UK-based investment funds and unit trusts now authorised to invest in futures contracts under the Financial Services Act.

According to Mr Roger Butler of the AFI, the current uncertainty is sure to blight the success of these specialist funds. Under present circumstances, a UK resident investing in these funds could well be liable to both 35 per cent corporation tax within the fund and to capital gains tax of 40 per cent when he redeems his units, whereas non-resident investors would have no incentives whatsoever to use the UK funds when offshore funds offer tax-free methods of accessing the markets.

It is precisely these types of anomalies which continue to give many fund managers and futures and options traders cause for concern.

Mr Quintin Price, head of options research at James Capel, applauded the latest Revenue guidelines as a very positive step but added that further changes in the tax treatment of derivatives were vital in order for the industry in the UK to remain central to Europe and provide the European base of a global trading axis.

Japan Air Lines plans Y100bn share offer

By Our Financial Staff

JAPAN AIR Lines, which last month announced plans to buy 15 Boeing Jumbo jets for around $2bn, is to raise some Y100bn ($750m) through a public issue of equity shares.

Together with a scrip issue, the airline is to offer 7m shares for public subscription next month. The shares, which closed in Tokyo yesterday at Y14,400, will be priced in line with market prices on August 23.

JAL, which moved back into profit last year, said the share issue was aimed at improving group financial structure. It said the financing would lift shareholders equity to 28 per cent from a the present 16 per cent.

The issue represents JAL's *first attempt to tap investors* in the Tokyo stock market following December's privatisation issue, which saw the Japanese Government put some $5bn worth of JAL shares on to the stock market via the sale of its residual share stake.

After a period of losses, the airline last year showed group net earnings of Y19.4bn following an 11 per cent increase in revenues. It paid its first dividend for three years.

India to launch $100m fund for US investors

By R.C. Murthy in Bombay

INDIA IS to launch a $100m mutual fund, India Growth Fund, which will allow US residents to invest in Indian stock markets.

The fund, to be managed by Merill Lynch and Nomura Securities, will be listed on the New York Stock Exchange. It will be closed ended and 80 per cent of funds will be invested within Indian equities.

The manager is Unit Trust of India (UTI), the country's largest mutual fund group. India Growth is its second international fund: the first, the £75m India Fund, was launched from the Channel Islands two years ago.

Indian stock markets are not directly open to foreign investors. The market capitalisation of the country's 15 stock exchanges is around $21bn.

Secondary trade on hold as holiday season arrives

By Dominique Jackson

FORTHCOMING US economic data and Continental holidays combined to subdue sentiment in the Eurobond market yesterday. Secondary trading was minimal and confined to professional dealing ahead of today's figures for US leading indicators in June and the Bank of England's announcement of the terms of the anticipated short-dated gilt auction.

Both the gilt-edged and Eurosterling markets saw thin business ahead of today's details of the auction of up to £1bn of new gilts, after which market makers will be able to deal in the new stock on a when-issued basis. Dealers reported extremely low volume in gilt futures on the London International Financial Futures Exchange and the pound's slow performance on the foreign exchanges offered no trading incentives.

These factors made for an extremely quiet first day for Nomura Gilts, Nomura International's new gilt market making subsidiary, which finally opened for business yesterday.

"We have crept in quietly and intend to spend our first few weeks steadily building up business," said a Nomura official. Research indicates that demand for gilts from Japanese investors, who already reportedly hold around 6 per cent of outstanding stock, will be healthy. However, volume will take time to build up, he added.

Current subdued market conditions could change with the announcement of the auction terms. Short-dated yields have now fallen under 10 per cent, way out of line with money market rates. Dealers were divided as to whether the Bank of England would opt for a six- or seven-year maturity for the new stock but said the coupon would be around 9 per cent or higher.

Trading in the US dollar denominated bond markets was also quiet with dealers awaiting tomorrow's details of the Treasury refunding and Friday's US unemployment report which will furnish the first economic data from July.

The primary markets were also quiet. Salomon Brothers International launched TMC Mortgage Securities No 9, a £200m floating-rate note with a final maturity of 2018 and an

INTERNATIONAL BONDS

average expected life of 7.2 years. The par-priced issue will pay interest at a rate of 32¼ basis points (hundredths of a percentage point) over the three-month London interbank offered rate for the first 10 years and thereafter a margin of 50 basis points. The issue features a call option after five years at par.

The lead manager said the issue was seeing good demand and traded within its fees. A Salomon official commented that each successive new mortgage-backed issue appeared to meet a better reception than the last as investors became more familiar with the product. *Liquidity in the sector is* also improving with substantially more active trading and switching between seasoned issues and into new paper now seen.

The Japanese equity warrant sector remained quiet as the lead managers' temporary moratorium on new issues appeared to hold up. New Japan Securities fixed the terms on its recent five-year issue for electrical retailer Matsuyadenki with the coupon set at 4⅜ per cent, as indicated.

In West Germany, Bayerische Hypotheken- und Wechsel-Bank led a DM100m five-year issue for its own Luxembourg-based financing offshoot, Hypobank International. The deal, at 5¾ per cent and 100½, was thought to be largely pre-placed within Continental retail accounts and not expected to trade widely.

The secondary D-Mark bond markets were subdued, partly due to a public holiday in neighbouring Switzerland and the absence of many domestic investors on vacation. Both domestic government bond and Eurobond prices finished the day narrowly mixed. Some dealers expected the new federal government bond to emerge later this week, possibly carrying a 6¾ per cent coupon and priced to yield around 5.8 *per* cent. However, many thought that a yield of around 7 per cent would be needed to ensure a favourable reception.

NYSE program trading move

THE New York Stock Exchange plans to report program trading activity on a half-hourly basis by the end of this year, Reuter reports from New York.

The NYSE aims is to provide prompt disclosure of the percentage of program volume and system traffic.

The NYSE had previously announced that, beginning with July data, it would release a monthly analysis of program trading, the first of which will be released in the middle of this month. It will disclose total program trading in all markets, program trading as a percentage of NYSE volume, NYSE program trading by category, and aggregate NYSE principal and agency program trading.

Hong Kong jetfoil operator 79% ahead

SHUN TAK Enterprises, the Hong Kong listed company which provides jetfoil services between the colony and the nearby Portuguese territory of Macao, reports a pre-tax profit of HK$84.9m (US$10.9m) for the first half of 1988, an increase of 79 per cent. Turnover rose 21 per cent to HK$289.2m, writes Our Hong Kong Correspondent.

Shun Tak, which is headed by Mr Stanley Ho, the casino owner, ferries passengers to and from his casinos in the gambling haven of Macao. The jump in profits was largely due to heavier jetfoil traffic following the relaxation of immigration requirements allowing travel to Macao using only a Hong Kong identity card instead of a passport.

Some 3.8m passengers were carried by Shun Tak jetfoils during the half year.

Mr Ho said that strategic moves had been made in order to diversify the company's activities. A joint venture has been formed with a Taiwanese partner to run a ferry service between Macao and Taiwan, starting later this year.

Shun Tak has also formed a joint venture data processing service after buying a stake in Semi-Tech Microelectronics (Far East), in addition to purchasing land on Hong Kong island for the development of a luxury apartment block.

After last October's stock market crash Shun Tak cancelled a planned rights issue. Mr Ho said that 66 per cent of the warrants issued instead have now been converted into Shun Tak equity, providing the group with surplus funds of more than HK$455m.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday August 1. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	57.9223	30.8709	43.6263
Albania	(Lek)	10.07	5.8768	3.1321	4.4263
Algeria	(Dinar)	10.58	6.1744	3.2908	4.6505
Andorra	(Fr Fr)	10.8425	6.3276	3.3724	4.7659
	(Sp Peseta)	211.55	123.4607	65.8009	92.9890
Angola	(Kwanza)	51.504	30.0577	16.0199	22.6391
Antigua	(E Carr $)	4.62	2.6962	1.4370	2.0307
Argentina	(Austral)	n/a			
Aruba	(Florin)	3.07	1.7916	0.9548	1.3494
Australia	(Aus $)	2.1260	1.2407	0.6612	0.9345
Austria	(Schilling)	22.535	13.1514	7.0093	9.9054
Azores	(Port Escudo)	261.25	152.4657	81.2597	114.8351
Bahamas	(Bahama $)	1.7135	1	0.5329	0.7531
Bahrain	(Dinar)	0.6460	0.3770	0.2009	0.2839
Balearic Is	(Sp Peseta)	211.55	123.4607	65.8009	92.9890
Bangladesh	(Taka)	54.50	31.8062	16.9517	23.9560
Barbados	(Barb $)	3.4403	2.0077	1.0700	1.5122
Belgium	(Belg Fr)	67.35c	39.3055	20.9486	29.6043
		68.20g	39.8015	21.2130	29.9780
Belize	(B $)	3.4210	1.9964	1.0640	1.5037
Benin	(CFA Fr)	542.13	316.3875	168.6251	238.2989
Bermuda	(Bermudian $)	1.7135	1	0.5329	0.7531
Bhutan	(Ngultrum)	25.50	14.8818	7.9315	11.2087

COUNTRY		£ STG
Greenland	(Danish Krone)	12.2075
Grenada	(E Carr $)	4.62
Guadaloupe	(Local Fr)	10.8425
Guam	(US $)	1.7135
Guatemala	(Quetzal)	1.7135
		4.5168
Guinea	(Fr)	513.15
Guinea-Bissau	(Peso)	1111.83
Guyana	(Guyanese $)	15.3850
Haiti	(Goude)	8.5525
Honduras	(Lempira)	3.4290
Hong Kong	(HK $)	13.3865
Hungary	(Forint)	92.8638
Iceland	(Icelandic Krona)	79.62
India	(Indian Rupee)	25.50
Indonesia	(Rupiah)	2899.95
Iran	(Rial)	121.50
Iraq	(Iraqi Dinar)	0.5317
Irish Rep	(Punt)	1.1940
Israel	(Shekel)	2.7820
Italy	(Lira)	2371.00
Ivory Coast	(CFA Fr)	542.13

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on August 1

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94⅛	94½	0	0	9.45
All Nippon Air 9⅞ 97	100	†94⅞	95⅜	+0¼	0	10.29
Amer. Brands 8⅞ 92	150	†97⅝	98⅛	+0⅛	0	9.54
A/S Eksportfinans 7⅝ 93	100	†92⅝	93⅛	+0⅛	0	9.35
A/S Eksportfinans 7¾ 92	150	94½	95⅛	0	-0⅛	9.05
Austria 10 98	100	†102¾	103¼	+0¼	+0¼	9.51
Barc. Bk. Fin. 10¼ 89	200	†101⅞	102⅛	+0⅛	-0⅛	8.66
B.F.C.E. 7 92	150	93⅛	93⅝	—	—	9.19
British Telecom 7⅜ 96	250	89¼	89¾	+0⅝	+0⅝	9.32
Cal. Natl. Telecom 8½ 93	160	†98⅛	98⅝	+0⅛	0	8.93
Canada 9 96	1000	98⅛	98⅞	+1	+0⅝	9.24
Canadian Pac 10¼ 93	100	†103	104	0	-0⅞	9.80
C.C.C.E 7⅛ 91	113	†94½	95	+0⅛	0	9.05
C.C.C.E 9¼ 95	300	98⅝	99⅛	+0⅝	+0½	9.47
C.N.C.A 7¼ 91	150	94⅛	94⅝	+0⅛	+0¼	9.23
Credit Lyonnais 9 91	200	99⅞	100⅜	0	-0¼	8.90
Credit National 8⅞ 93	200	96⅛	96⅝	+0¼	+0¼	9.21
Credit National 7⅞ 92	100	94⅜	94⅞	+0⅜	+0⅝	9.12
Credit National 7⅞ 91	150	94⅜	94⅞	-0⅛	-0¼	9.14
Denmark 7⅛ 92	500	93½	94	+0⅛	0	9.26
E.E.C. 7 91	100	94⅜	94⅞	+0⅜	+0¼	8.91
E.E.C. 7¼ 93	250	92⅞	93⅜	+0½	+0¼	9.13
E.E.C. 8 90	350	98⅝	99⅛	+0⅛	0	8.64
E.I.B. 7⅝ 93	100	93¼	93⅝	+0⅜	+0¼	9.22
E.I.B. 9⅝ 97	150	99⅛	99⅝	+0⅜	+0⅜	9.48
Elec. De France 9 98	200	95½	96	+0½	+0¼	9.68
Finland 7¾ 97	200	89⅛	89⅝	+0⅜	+0⅜	9.75
Finland 7½ 93	200	92⅞	93⅛	+0⅛	0	9.30

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	101	101¼	0	+0⅛	5.07
Belgium 4⅞ 94	45	96¼	96⅝	+0¼	+0⅜	5.36
Canada 4⅞ 92	80	97¾	98	+0¼	+0¼	4.99
Elec. De France 5⅛ 94	20	99	99⅜	+0¼	+0⅛	5.30
Ireland 5⅛ 93	30	99⅞	100⅛	+0¼	+0⅜	5.09
Norway 5⅛ 95	50	98¾	99	+0⅝	+0⅝	5.32
Rep. of Italy 5⅛ 92	150	102⅝	102⅞	+0¼	+0⅜	4.88
Sweden 4⅝ 93	50	97⅛	97⅜	0	+0⅛	5.19
World Bank 5½ 92	50	102	102¼	+0¼	+0¼	4.91

Average price change... On day +0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10⅛ 93 £	50	99⅛	99½	0	+0⅛	10.43
Alg. Bk. Ned. 5½ 92 FL	150	99⅝	100	-0⅛	-0⅛	5.61
Amro Bank 6¼ 92 FL	150	100⅞	101⅝	+0⅛	0	5.96
Bank Aust. 14 91 A$	20	101⅛	101⅝	-0⅛	0	13.39
Barc. Bk. 10½ 97 £	250	96½	97	0	+0¼	10.80
BP Capital 9⅞ 93 £	100	97½	98	-0⅛	+0⅞	10.35
British Airways 10 98 £	100	94½	95	-0⅛	-0⅛	10.89
C.I.B.C. Mort. 10⅞ 93 C$	100	†100¼	100¾	0	+0⅛	10.57
Coop. Ctr. Rabo. 6¼ 93 FL	100	100½	101	-0⅛	-0⅛	6.04
Coop. Ctr. Rabo. 6 92 FL	200	100½	101⅛	+0⅛	0	5.78
Denmark 7⅛ 92 ECU	100	100⅝	101⅛	+0¼	0	7.43
Deutsche Bank 9⅞ 97 £	75	†95¼	95¾	0	+0⅛	10.68
Deut. Bk. Aust. 12⅞ 95 A$	70	99¼	99¾	0	-0⅛	12.82
E.I.B 10⅛ 98 C$	130	†98⅝	99⅛	0	+0⅛	10.29
E.I.B 8¾ 93 LF	10	†101	102	0	0	8.19

Farmers to contest bid clearance

By Nick Bunker

FARMERS GROUP, the US insurer, yesterday placed another potential obstacle in the path of the hostile $4.5bn (£2.6bn) bid from the UK's BAT Industries with the news that it plans to appeal in the Arizona courts against a June 3 decision by state officials to give the bid regulatory clearance.

The Los Angeles-based group said that hearings held by the Arizona Insurance Department did not allow it the opportunity to raise what it called "significant issues" about the BAT takeover plan.

In particular, Farmers said it wanted to discuss the "negative financial impact" of the proposed acquisition. In a statement apparently signalling its intention of continuing its stiff resistance to BAT in the nine states where approval is needed from local insurance commissioners, Farmers added that it foresaw "substantial regulatory problems" still ahead of the British group.

Farmers said that in Arizona it had been prevented from giving evidence on issues such as BAT's potential exposure to product liability suits against the tobacco industry, and what it alleges are BAT's plans to cut back the group's medical malpractice insurance business.

Farmers' announcement came as little surprise to BAT, and followed a decision by the Arizona department on Friday denying a request for a rehearing of BAT's application to buy the US company's subsidiary in the state.

Friday's decision was part of a mixed bag of developments in several states where regulators are considering the bid. The next key piece of news is expected at the end of this week, however, when Judge Kurt Lewin of the California Superior Court in Los Angeles is likely to rule on BAT's appeal about a state insurance department decision to refuse permission for the acquisition.

Patrick Sheehy:chairman of BAT Industries

Allied Dunbar sets up mortgage company

By David Barchard

ALLIED DUNBAR Mortgages has set up a company to specialise in securitisable mortgages for the self-employed, controlling directors, and others who may have difficulty in obtaining mortgages from other institutions which are commensurate with their gross incomes.

Called Secured Residential Funding, it is owned by a trustee company, with nominal capital, and will be independently managed by the Household Mortgage Corporation.

Though SRF will initially fund through the syndications in the interbank market, it is expected that most of its funds will eventually come from the securisation markets.

The average size of a mortgage from SRF will be around £60,000 though the company will be willing to issue much smaller mortgages, especially in parts of the UK where house prices are below the national average.

"The self-employed account for around ten per cent of the workforce," said Mr Duncan Young, managing director of HMC yesterday. "Mortgage services for them should be highly competitive."

Mr Martin Russell, formerly of Grand Metropolitan, has been appointed executive director and treasurer, and Mr Andrew French, has been made executive director for operations.

Expanding Ashtead advances to £3.15m

By Vanessa Houlder

ASHTEAD GROUP, USM-quoted plant hire company, more than trebled pre-tax profits to £3.15m (£1.02m) in the year to April 30. The results, which were slightly better than expected, left the share price unchanged yesterday at 520p.

The improvement stemmed from a sharp rise in turnover to £13m (£5.1m) and an increase in margins from 20 per cent to 24 per cent.

Mr Peter Lewis, chairman, said the results had been helped by the boom in the construction industry, although he ascribed the group's underlying growth to its innovative approach to industrial relations.

"The only way we can achieve these kinds of margins is because of the profit-sharing scheme operated by all depots," he said. A total of £250,000 was paid out under this scheme in the year.

The original nine depots produced turnover growth of 37 per cent. Keystone, which was bought in March 1987, made its first full-year contribution and produced 15 per cent growth in revenues and a substantial increase in margins.

The three acquisitions made during the year, which helped Ashtead increase its number of depots to 29, were also successfully integrated, Mr Lewis said.

He added that there was potential for profits improvements from the new acquisitions, which had historic margins of less than 10 per cent. In addition, further acquisitions were palnned, which could double the number of depots.

Gearing was reduced from 122 per cent to 70 per cent, despite capital investment on plant of £4.9m (£2.1m).

Earnings per share surged to 30.5p (11.2p). A final dividend of 2.9p was proposed, making a total of 4p (2p).

● COMMENT

With its soaring margins and fast-expanding market share, Ashtead has already caught the eye of the City. And with analysts expecting profits of at least £4.3m this year, their enthusiasm is duly reflected in a prospective multiple of 14. Yet despite this lofty rating, the argument for tucking some shares away is a highly attractive one. Ashtead's emphasis on profit sharing, combined with excellent financial controls, promises some laudable results. Margins, particularly in recently-acquired depots, are fast moving upwards and could, the company reckons, exceed 30 per cent. Furthermore, with just 4 per cent of a growing and highly fragmented market for non-operating plant hire worth £550m, there is plenty of scope for expansion.

Property sales give Caird finance for re-investment

By Andrew Taylor

CAIRD GROUP has agreed to sell off most of its property investment portfolio so that it can concentrate on its growing waste disposals and environmental services operations.

Caird said the sale of the properties for £9.65m to Rugby Securities would result in a pre-tax profit of £700,000.

Previously Caird had sold some of its properties for £1.35m to North of Scotland Investment Company. It also disposed of a property in South Shields for £325,000.

It said the cash raised would be used to further the development of its waste disposal and environmental services businesses.

The company has made 13 waste disposal/environmental services acquisitions since November; it also has a 5.4 per cent stake in Leigh Interests, a leading UK waste disposal company.

Last month Caird withdrew a £7.6m bid for Wistech, a specialist cleaning and materials company.

Caird said that following the sale to Rugby Securities, it would be left with an investment property in Teesside and an interest in three joint venture residential property companies.

Alba gains French hold

By David Cohen

ALBA, the consumer electronics group, has moved to secure a pre-1992 presence in Continental Europe with the acquisition of 96 per cent of its French distributor, Telectrodis SA for an initial cash consideration of FFr11.5m (£1.06m).

The purchase closely follows the £6m acquisition of Bush Radio, consumer electronics distributor, and marks the group's first expansion into mainland Europe.

Telectrodis, to be renamed Alba France, distributes Alba lines along with Metz, Sony and Fujitsu products. Last year it made of FFr1.9m on turnover of FFr62m.

The remaining 4 per cent will be retained by Mr Jean Paul Seror, Telectrodis director general, who will continue in that capacity. A further FFr500,000 is payable subject to targets for 1988 being achieved.

Sherwood Computer warns of interim loss

By David Cohen

SHERWOOD COMPUTER Services, Romford-based computer bureau and software house, yesterday warned the market that problems at two recently-acquired companies would cause an interim pre-tax loss to June 30 of about £1.5m.

The setback – described by Mr Terry Dicken, chairman, as "tragic" – led to a 65p fall in the shares to 195p.

Cost overruns in the development of the software housing package (HB88), which Sherwood subsidiary CTG supplies to local authorities, are expected to result in first half pre-tax losses of £1.75m. In addition, margins at insurance intermediary supplier, Mitronix, have been under pressure giving rise to losses approaching £400,000.

The losses come at a time of record growth from the group's core business and follow a threefold increase in pre-tax profits to £1.7m since coming to the USM in 1985.

Analysts yesterday feared that the loss in product credibility due to the HB88 complications would adversely affect sales of CTG's poll tax package. Furthermore, goodwill write-offs during 1987 had left reserves at a dangerously low level causing gearing of 155 per cent at the year end, they said.

Saville Gordon rises by £1m

J Saville Gordon, metal and engineers' merchant, property investor and securities dealer, showed turnover of £70.8m against £45.62m and pre-tax profit of £6.02m compared with £5.04m, for the year ended April 30 1988.

There is a final dividend of 1.27p making 1.6p (1.28p) or a scrip alternative. After tax of £1.99m (£1.6m) earnings per 10p share were 4.2p (3.5p).

Stanley Leisure in £2m purchase

Stanley Leisure Organisation, betting office and casino operator, is buying Greyform Publications and Evans and Marland. Greyform distributes and Evans & Marland prints a daily newsheet on greyhounds for most of the UK's licensed betting shops. Of the £2m consideration, £200,000 is payable in cash and the balance is to be satisfied by the issue of 734,694 ordinary shares at 245p.

Greyform and Evans & Marland reported aggregate pre-tax profits of £222,012 to the end of March and the two companies have guaranteed that net assets at completion will not be less than £200,000.

Saatchi spends up to £3m on UK media independent

By Philip Rawstorne

SAATCHI & SAATCHI, advertising and communications group, has bought Ray Morgan & Partners (RMP), one of Britain's leading media independents. The deal, announced yesterday and worth between £2.4m and £3m, marks an important step forward in Saatchi's plans to centralise its media planning and buying operations.

RMP, with a client list that includes Allied Vintners, General Foods, Amstrad, Pedigree Petfoods, Crookes Healthcare and the Halifax Building Society, has annual billings of £70m.

It may become the core of Saatchi's media operations, forming with the amalgamated media departments of the group's UK advertising agencies – Saatchi & Saatchi Advertising, BSB Dorland, and KHBB – a powerful force in the market with total billings of more than £700m.

Mr John Perriss, Saatchi's worldwide media director, said yesterday that RMP would bring to the Saatchi group not only added spending power but a "great deal of managerial and other talent".

Discussions about consolidating the group's media buying were still continuing with clients, Mr Perriss said. "We are, frankly, still working on the blueprint."

Some big-spending advertisers will welcome the prospect of advertising discounts that a group commanding 17 per cent of the market might be able to negotiate with press and television. However, others may be concerned about possible conflicts of interest that might arise in one agency handling accounts for several motor manufacturers, for instance, or for different building societies.

RMP has clearly satisfied its clients, however, that the move into the Saatchi group and probably into a centralised buying operation, will be beneficial.

For the immediate future, RMP will continue to operate independently. Mr Ray Morgan will remain chairman and chief executive officer, and Mr Derrick Southon, managing director.

The company was formed only three years ago by Mr Morgan, Mr Southon, Ms Christine Walker, and Mr Mike de Vere, who quit Benton & Bowles, the advertising agency, when it was taken over by D'Arcy McManus Masius. Its rapid rise into the top three UK independents has been one of the industry's most remarkable success stories of recent years.

Stonehill second half recovery

By Nikki Tait

STONEHILL, the troubled furniture maker which was subject to a Tranwood Earl-led consortium bid last September, yesterday announced a £941,000 loss before tax in the 12 months to April 3. This compared with a £2.24m deficit in the previous year.

However, £934,000 of the loss came in the first half. Yesterday, Stonehill said that the furniture business had traded at around breakeven in the second six months.

It added that a review of the furniture business showed a need to update facilities and designs and improve information systems. Accordingly, it was concentrating on "higher quality rather than low-priced products".

The company was also acquiring a further 12 acres on the Lea Valley Trading Estate for £6m, adjacent to Stonehill-occupied property and giving it 20 acres in total.

Purchase of the land will provide an annual income stream of £750,000. However, Stonehill calculated that debt – after the Lea Valley deal and its £1m investment into the Elstree consortium - will be £4m-£5m, against shareholders funds of slightly over £6m.

Sales last year were £13.4m (£13m), and interest charges took £413,000 against £367,000. The deficit per ordinary share worked out at 7.61p, against 19.56p. There was an extraordinary charge of £605,000, of which £436,000 related to the reorganisation programme.

Mr Andrew Langton, chairman and managing director of Aylesford & Co Estate Agents and a non-executive chairman of St James's Estates, is joining the Stonehill board. A Luxembourg company, Immo Finance SA, of which he is chairman, acquired a 24.3 per cent interest in Stonehill from Mr Nazmu Virani's Control Securities earlier this year

PHILIPS

Half-Yearly Statement to 30th June 1988

Report on the course of business of the Philips group

In the first six months of 1988 the volume of sales increased by 9% compared with the corresponding period of 1987. Sales expressed in guilders rose by 5% to f 25,462 million. Exchange rate movements had a negative effect of 3% on sales expressed in guilders, while earnings in local currencies also fell (1%). The latter factor in particular put pressure on net income, which amounted to f 338 million (last year f 420 million).

Volume sales rose sharply in our Lighting, Consumer Electronics, Domestic Appliances and Components businesses, a major factor in the latter sector being the increased demand for integrated circuits in all geographical regions. A large proportion of the volume growth in the Consumer Electronics sector occurred in the European markets for low-end color television sets and video recorders. These markets are showing considerable growth, but prices are under intense pressure. The increase in sales volume in the Professional Products and Systems sector was greater than in the previous reporting period. This was primarily due to healthy sales in the field of information and communication systems.

As a result of the fierce competition from South-East Asia in the market for Consumer Electronics, profitability in this product sector came under pressure. Results in the Components sector are affected by high development costs in the field of integrated circuits. Although operating income in the Professional Products and Systems sector was still lower than in the first six months of 1987, the second quarter of 1988 saw a major improvement on the first quarter of the year. Results improved in the Lighting, Miscellaneous and Domestic Appliances product sectors. In the first six months of 1988 the operating income of the Philips group totalled f 1,359 million (5.3% of sales); in the corresponding period of last year a figure of 6.3% was achieved. A sum of f82 million was charged against operating income in the first six months of 1988 for restructuring. A provision of f 16 million was created in the first half of 1987.

The lower operating income is the reason why net income also fell compared with the first half of 1987.

At the end of June 1988 inventories stood at 26.0% of sales, compared with 26.4% at the end of June 1987.

The number of employees has fallen by 4,800 since January 1, 1988. This decrease occurred principally in the category of indirect personnel.

Taking account of the cost-reduction campaigns which have been launched and a number of anticipated special items of income, the course of business gives us no cause to revise the forecasts for 1988 made in the Annual Report.

July 28, 1988

	2nd quarter		Jan. to June	
Amounts in millions of guilders	1988	1987	1988	1987
Net sales	13,039	12,280	25,462	24,161
Income from operations	680	704	1,359	1,530
Gearing adjustment	47	72	102	125
Financial income and expenses	−507	−408	−873	−872
Income before taxes	220	368	588	783
Income taxes	−77	−154	−206	−329
Income after taxes	143	214	382	454
Equity in net income of unconsolidated companies	15	14	31	21
Minority interests	−37	−23	−75	−65
Net income from normal business operations	121	205	338	410
Extraordinary income after taxes	–	10	–	10
Net income	121	215	338	420
Income from operations as % of net sales	5.2	5.7	5.3	6.3
Income before taxes as % of net sales	1.7	3.0	2.3	3.2
Income after taxes as % of net sales	1.1	1.7	1.5	1.9
Net income as % of stockholders' equity	3.0	5.3	4.2	5.2
Net income from normal business operations per common share, f 10 par value (in guilders)	0.47	0.86	1.32	1.74
Net income per common share, f 10 par value (in guilders)	0.47	0.90	1.32	1.78
Do. per common share, f 10 par value, based on historical cost (GAAP) (in guilders)	0.48	0.77	1.31	1.52

At the end of June	1988	1987
Inventories (as % of net sales in the last 12 months)	26.0	26.4
Average collection period of trade accounts receivable (in months)	2.2	2.2
Marketable securities and liquid assets	1,534	1,812
Total liabilities as % of capital employed	65.3	63.0
Number of employees (comparable figure on January 1, 1988: 336,300)	331,500	342,000
of which in the Netherlands (comparable figure on January 1, 1988: 69,700)	67,900	70,100

N.V. Philips' Gloeilampenfabrieken
GROUP MANAGEMENT COMMITTEE

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
232	185	Ass. Brit. Ind. Ordinary	232	0	8.7	3.8	8.7
232	186	Ass. Brit. Ind. CULS	232	0	10.0	4.3	
40	25	Armitage and Rhodes	38	0	-	-	-
57	39	BBB Design group (USM)	39	-1	2.1	5.3	6.2
166	155	Bardon Group	166	0	3.3	2.0	23.4
115	100	Bardon Group Conv. Pref.	115	0	6.7	5.8	-
148	137	Bray Technologies	137	0	5.2	3.8	10.2
114	100	Bremhill Conv. Pref	114	0	11.0	9.6	-
282	246	CCL Group Ordinary	282	0	12.3	4.4	4.3
155	124	CCL Group 11% Conv.Pref	155xd	0	14.7	9.5	
151	129	Carbo Plc (SE)	145	0	6.1	4.2	9.2
112	100	Carbo 7.5% Pref (SE)	109xd	0	10.3	9.4	
287	147	George Blair	287	0	3.7	1.3	8.0
94	60	Isis Group	94	0			
118	87	Jackson Group (SE)	112xd	0	3.4	3.0	12.4
340	245	Multihouse NV (AmstSE)	320	0	-	-	-
107	40	Robert Jenkins	105xd	0	7.5		2.4
425	124	Scrbttons	425	0	8.0	1.9	38.6
232	194	Torday & Carlisle	232xd	0	7.7	3.3	7.7
96	56	Trevian Holdings (USM)	83	+1	2.7	3.3	8.9
113	100	Unistrut Europe Conv Pref	113	0	8.0	7.1	
293	203	W.S Yeates	291	0	16.2	5.6	7.9

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of TSA

These Securities are dealt in strictly on a matched bargain basis. Neither Granville & Co nor Granville Davies Ltd are market makers in these securities

Flextech back in the black with £314,000

Flextech has returned to profits with £314,000 pre-tax for the 10 months to March 31 1988 against a loss of the previous 12 months of £258,000. Earnings per 10p share for this USM-quoted company were 0.39p, compared with losses of 2.08p.

The company intends to eliminate the deficit on the retained profit and loss account by using some of the available share premium account.

Turnover this time was £13.08m. The pre-tax figure was struck after finance charges of £154,000 against a credit of £837,000 and share of associate losses of £104,000 (£588,000).

Park Food decreases

Park Food Group, which packs and supplies hampers, reported a downturn in pre-tax profits from £2.62m to £2.28m in the year to March 31 1988, despite an increased turnover of £82.1m against £69.54m.

A breakdown of profits showed:- hampers £2.12m (£2.39m); drinks £10,000 (£58,000); temperature controlled £69,000 loss(£20,000 loss); and other activities £217,000 (£196,000).

Earnings per 10p share fell from 16.5p to 13.89p, but thedividend total is to be raised to 5.3p (4.8p) with a proposedfinal of 3.6p.

Kingsgrange

Kingsgrange, the toiletries manufacturer, has just beat the forecast of pre-tax profits for the year to April 30 not in excess of £165,000. The result, of £170,000, was a substantial drop from the £1.34m of last time, the flotation forecast of £1.6m and the £1.12m achieved in the first half.

Turnover, however, rose 13 per cent to £15.33m (£13.51m). Earnings per 10p share fell to 0.6p (7.9p). A final dividend of 0.75p is proposed to make a total of 1.5p.

COMPANY NEWS IN BRIEF

BOWTHORPE HOLDINGS is acquiring 91.67 per cent of Elbomec SRL, Italian manufacturer of heat transfer devices, for £985,000 cash.

COMMERCIAL BANK of the Near East: pre-tax profit dropped from £502,952 to £205,662 in the six months to June 30 on gross income of £1.56m (£1.58m).

GRAHAMS RINTOUL Investment Trust: Net asset value 279.3p (322.4p) at June 30 1988. Net revenue for the six months £867,207 (£156,852).

NORMAN HAY said under recent placing, shareholders had purchased 421,722 new shares (14.06 per cent) and the balance of 2.58m placed with investment clients of McCaughan Dyson Capel Cure.

HIDONG ESTATE (rubber and oil palm fruit producer in Malaysia): Pre-tax profits after replanting expenses M$249,107 (M$64,291 losses) for year to March 31 1988.

ISLE OF MAN Enterprises lifted turnover to £2.11m (£1.6m) and pre-tax profit to £133,900 (£72,663) in half year ended May 1 1988. Earnings 1.87p (1p).

MORAY FIRTH Exploration: pre-tax profits £1,114 on turnover of £16,627 for six months to June 30. Extraordinary debit of £41,018 being introduction to Third Market in April, makes a loss of £39,904 for the period. Short programme of shallow diamond drillholes planned for August.

PERRY GROUP:The diversified motor dealer has acquired for £500,000 cash, its first Toyota dealership in Bradford, Yorks.Value of assets is £359,000.

SCOTTISH ICE Rink Company (1928): Pre-tax loss £8,054 (£21,995) for half year to March 31 1988. Turnover £28,300 (£28,610). No tax (same) and loss per share 0.13p (adjusted 0.33p).

C.A. SPERATI (The Special Agency): Pre-tax profits for six months to April 30 were £8,564 (£25,103). Turnover of this button and trimming merchant £345,672 (£338,402). Earnings per 50p share 5.36p (16.8p). Directors are confident that benefits from improved order book will be reflected in second half.

STAVERT ZIGOMALA (furniture and carpet wholesaler and retailer): Pre-tax profits for year to March 31 1988 were£62,044 (£60,916) and turnover £796,809 (£790,045). Earnings per ordinary stock unit 14.92p (14.94p) and per deferred unit 11.94p (11.96p). Dividend 12.75p (10.95p).

TEX HOLDINGS profitability continued to improve, annual meeting told. Benefits were showing from good order books and acquisition of plastics operation at Barnstaple. Factory acquired to expand engineering division.

MONTHLY AVERAGES OF STOCK INDICES

	July	June	May	April
Financial Times				
Government Securities	87.84	88.23	89.99	90.74
Fixed Interest	97.36	98.10	97.99	97.62
Ordinary	1488.9	1470.0	1427.4	1421.2
Gold Mines	215.4	220.5	203.9	216.4
SEAQ Bargains (5 p.m.)	25,430	25,783	25,023	26,923
F.T.-Actuaries				
Industrial Group	981.83	967.39	936.12	935.20
500 Share	1054.34	1042.22	1008.62	1011.11
Financial Group	711.38	707.92	673.38	683.72
All-Share	965.18	954.74	920.66	919.65
FT-SE 100	1856.1	1847.2	1782.5	1786.5

	July High	July Low
Ordinary	1510.5 (11th)	1473.0 (28th)
All-Share	974.10 (11th)	957.99 (25th)
FT-SE 100	1877.2 (8th)	1837.7 (28th)

UK COMPANY NEWS

Sears shares fall 6p as Fraser denies sale of 10% stake

Shares in Sears, the retail group which includes Selfridges, William Hill betting shops and the Mappin and Webb jewellery chain, slipped 6p to 132p yesterday as House of Fraser denied press speculation that it had sold its 10 per cent share stake, writes Nikki Tait.

Fraser, which is owned by the Egyptian Al-Fayed brothers and takes in Harrods, added that it considered its holding to be "a first-class investment." The Al-Fayeds' interest was acquired last December – the bulk of it from an 8 per cent interest in Sears built up by the Australian Bell Group and sold on to Fraser.

Yesterday, Mr Geoffrey Maitland Smith, Sears' chairman, said the announcement had been made at Fraser's own volition, but he had been notified yesterday morning of its contents. Fraser, he said, had told him it regarded the stake as a long-term investment. Asked about any approaches to Sears recently, Mr Maitland Smith added that there had been "absolutely none – tentative or firm."

Standard Chartered streamlines

Standard Chartered has dropped one of its two auditors only two months after the annual meeting at which it asked shareholders to approve the appointment of both firms for another year, writes Richard Waters.

Deloitte Haskins & Sells will no longer have any involvement with the holding company's audit, but it will however, continue to audit a number of subsidiaries and branches of the bank. Peat Marwick McLintock becomes sole auditor of the main company.

Mr Richard Stein, finance director, said neither the removal of Deloitte nor the timing of the move was caused by disagreement between the bank and the auditors. This was confirmed by Deloitte.

The move was intended to introduce greater efficiency by doing away with the need to consult two firms in circumstances where only one was needed, said Mr Stein. It would save "several tens of thousands of pounds" of the annual audit bill, which last year amounted to £2.1m, he said.

Deloitte and Peat have been joint auditors of the bank since it was created by the merger of the Standard and Chartered banks in 1969.

Blue Arrow stake

County NatWest, the investment banking arm of National Westminster Bank, *confirmed yesterday that it* had no plans to sell its 9.4 per cent stake in Blue Arrow, the employment group, "for at least the next 12 months."

County picked up the stake during Blue Arrow's $1.3bn (£760.23m) takeover of Manpower, US employment group, last year, when it underwrote a £831m rights issue.

Fears that County might sell its holding have undermined confidence in Blue Arrow's shares, which, despite rising 3p to 103p yesterday, are still well *below the 166p at which the* rights were offered.

Berisford meat sale

S & W Berisford, the commodities, property and financial services group, is selling City Meat Wholesalers, its loss-making meat wholesaling subsidiary, to ABP Holdings. *Consideration has* not been disclosed, but is likely to be in the region of £1m to £2m.

Berisford has owned City Meat for approximately 10 years. *According to Mr Barry* O'Connor, Berisford's company secretary, the subsidiary has not made a profit "in living memory." In its last financial year, it is thought to have made a pre-tax loss of some £2m on turnover of £50m.

ABP is part of Goodman International.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Ashtead Group § .....fin	2.9	Oct 20	2	4	2
Gardner (DC) § ....int	1.1	Oct 3	-	-	-
Mainmet Hldgs § .....fin	1.5	-	1*	2.25	1.5*
Saville Gordon ....fin	1.27☆	-	0.98*	1.6	1.28*
TR Trustees Corp.....fin	1.3	Sept 30	1.25	2.3	2.2*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆Carries scrip alternative.

Bibby US packaging side being sold to management

By Andrew Hill

J. BIBBY & SONS, the agricultural and industrial conglomerate, has finally negotiated the sale of its US packaging division, but for less than the original asking price of $130m (£76m).

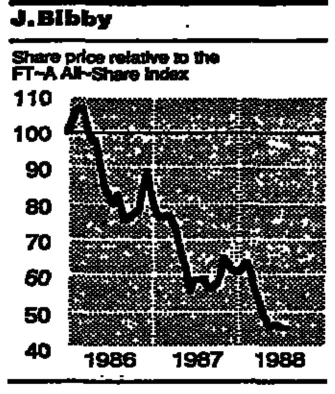
Princeton Packaging is to be sold to its management for $105m, nine months after Bibby proposed the sale of the flexible packaging operation to a US rival.

The UK group had won shareholder approval for the sale to James River Corporation, but in February the Federal Trade Commission blocked the plan because it would have given James River 50 per cent of the US market in polythene bags used to package bread and frozen food.

"This time the chances of the deal not going through must be very slight," said Mr Richard Mansell-Jones, chairman of Bibby, which is 86.5 per cent owned by Barlow Rand of *South Africa.*

The disposal, which includes Princeton's small retail packaging division, will take Bibby out of the US packaging market altogether, reducing US turnover by about 65 per cent on last year's figures.

J.Bibby



Proceeds of the deal should cancel Bibby's borrowings, which stood at about 17 per cent of shareholders' funds at the September year-end.

Bibby will receive about $58m in cash from the sale, $42m as repayment of intra-group *debt and $5m in the* form of an unsecured loan note. The terms are broadly the same as those of the original deal.

Mr Mansell-Jones said the buy-out was at a lower price than the James River offer, but Bibby had made more efficient tax arrangements for the management deal. Princeton is to be sold at a premium to net asset value of $15m after tax and expenses, compared with a $28m premium for the original deal.

Bibby bought the company in April 1985 for $24.8m, a 21 per cent discount to net asset value, but fierce competition from James River and others has reduced Princeton's profits from $9.5m to $2.1m last year. The parent company's sterling profits were cut by £1m to £34.8m.

Mr Dennis Crosby, managing director of the packaging division, is leading the Princeton buy-out. He will acquire 13.9 per cent of the shares in the new holding company, if the sale is approved, and will resign from the Bibby board.

In May, Bibby announced *the $40m sale of Interchecks,* its US cheque manufacturer, to Norton Opax, the UK printing group.

Bibby's shares rose 2p to close at 170p.

Mainmet boosts profits 42% to £460,000

Mainmet Holdings, USM-quoted maker of energy conservation products, increased pre-tax profits from £324,969 to £460,042 in the year to May 31.

Mr George Towler, chairman, said the taxable result would have been higher but for a £50,790 provision made in respect of feasibility studies into combined heat and power schemes for two consortia. Minerva Electronics, acquired in February, had contributed £34,344 to pre-tax profits.

A one-for-three scrip issue is proposed by the directors, who recommend a final dividend of 1.5p, for a total of 2.25p (1.5p adjusted).

Readicut buys

Readicut yesterday announced the acquisition of Sheffield-based Fox Frames from Raine Industries.

D C Gardner pays £2.4m for Cowan de Groot arm

By Clare Pearson

D C GARDNER, which provides consulting and training services for banks, has bought Chart Foulks Lynch, an accountancy training firm, for £2.44m from Cowan de Groot, the toy importer.

Cowan also said yesterday it was selling Chart University Tutors, which provides degree courses for external London University LL.B examinations, to its management for a cash payment of £127,000.

Cowan recently began a policy of selling its peripheral activities to concentrate on its core business of toy importing. This follows the resignation from the board at the end of April of Mr Philip Birch, chairman of Ward White, the retailing group, who had initiated the diversification programme.

The net proceeds of the two sales announced yesterday are £2m. Along with property sales, this brings the sum raised by Cowan from disposals since its April 30 financial year-end to £5.24m.

D C Gardner, which also yesterday announced a 57 per cent increase in pre-tax profits to £331,000 (£210,000) in the six months to end-June, is financing the deal with the issue of 1.66m new ordinary shares, representing 23 per cent of its enlarged share capital. Of these, 1.53m will be offered to existing shareholders at 147p on a 100-for-367 basis.

Chart Foulks Lynch's profits declined to £71,000, on turnover of £2.61m, in the year to end-April from £224,000 in the previous 16 months. Cowan, de Groot has warranted pre-tax profits of £200,000 for the five months to end-December.

Gardner's interim advance was achieved on turnover of £2.13m. A final dividend of not *less than 2.2p is forecast.* The interim dividend is 1.1p.

Virgin buys LWT stake in Super Channel

By Raymond Snoddy

Mr Richard Branson's Virgin Group yesterday increased its stake in *Super Channel,* the European satellite television channel, as London Weekend Television bowed out.

Virgin Communications said it had bought LWT's remaining shares in the venture, thereby raising its stake from 28 per cent to 35 per cent.

LWT received little more than £100,000 for its stake in the loss-making channel and the venture has cost it a total of £5m.

Apart from Virgin, four of the 14 ITV companies which founded Super Channel committed more money in May – Granada, Yorkshire, Television South and Anglia. The others saw their total stakes diluted to 20 per cent.

Despite the paltry price, yesterday's sale is worth nearly £1m to LWT because it can use the tax losses to shelter gains from the sale, for £5.4m, of its 67.8 per cent interest in Page & Moy, travel agent.

Mr Robert Devereux, managing director of Virgin Communications and chairman of Super Channel, said the move was an indication of the company's faith in the future of Super Channel, available in more than 12m homes across Europe through cable television networks.

Until recently Mr Brian Tesler, chairman of LWT, was also head of Super Channel, but decided not to take part in a substantial refinancing in May when the channel was pulled back from the brink of liquidation.

Costs have been running at more than £20m a year while advertising revenue has languished at around £5m.

Bristol Water

An extraordinary meeting yesterday approved the unusual issue of £6m of convertible preference shares by Bristol Waterworks Company. The issue will give priority to applications from over 1m local consumers or employees and will be publicised through an extensive advertising campaign on TV, radio and in the local press.

Davy builds up US engineering side

By Andrew Taylor, Construction Correspondent

DAVY CORPORATION, the British construction and engineering group with worldwide sales approaching £800m, has agreed to acquire the Pittsburgh-based construction engineering division of Dravo Corporation, US engineering and natural resources group.

Dravo announced at the end of last year that it was selling its engineering interests after the group had made losses during the first nine months of 1987.

The construction engineering division to be acquired by Davy specialises in designing and installing process plant for the iron, steel and aluminium industries.

The purchase agreed between Davy and Dravo will be determined by a valuation of the division's current and fixed assets. The price after taking into account certain costs and a profit-sharing deal is expected to be between $3m to $4m.

The division is expected to generate pre-tax profits of *around $1.5m (£877,000) in a* full year. It will bring different techniques and technologies, currently used by Dravo under licence, to compliment Davy's existing metals process plant operations in the US. Sales of the division are thought to be running at between $50m and $60m a year.

Davy expects to see an increase in investment by US iron and steel companies over the next *18 months following* a recent improvement in profitability by the sector.

At one stage Dravo was negotiating to sell the engineering construction division to Jacobs Engineering *of* California but talks broke down earlier this year.

Mr John Keiman, senior vice-president of Davy McKee Corporation, Davy's US engineering, construction and project management company, said: "The combination of the Davy and Dravo teams makes a formidable engineering force with the *ability to design,* project manage and construct major projects both in the US and worldwide, principally in the metals industry." Mr William Roth, Dravo chairman, said the restructuring programme at Dravo should be *completed* by the end of this year. He said Dravo would start 1989 "as a lean, tightly focused and increasingly profitable natural recources company".

Charles Barker shares jump 11% on bid talks

By Nikki Tait

SHARES in Charles Barker, advertising, public relations and recruitment group, jumped 20p to 178p yesterday as the company announced that it was involved in discussions which might lead to a recommended bid.

The company declined to comment further. *It said* another announcement would be made as soon as possible – hopefully this week.

Market speculation centred on WPP, the acquisitive advertising and marketing services group headed by Mr Martin Sorrell, as a possible purchaser. A cash price of about 180p a share was also widely mooted. This would put a £43m price tag on Barker.

WPP, takes in the Hill & Knowlton PR business. It also has extensive below-the-line *activities into which* Charles Barker Recruitment, the third largest company in the UK advertising recruitment sector, might fit.

Another suggestion among analysts was that Barker's executive search business, Norman Broadbent International, could be subject to a subsequent management buyout – *possibly as part of an* agreement to recommend an offer.

Charles Barker, which saw 1987 profits fall 26 per cent is currently seeking shareholder *agreement* for a deal whereby US advertising group, NW Ayer, could take a stake of 25 per cent *(rising to 56 per cent* in 1990) in Ayer Barker, its principal consumer advertising business. Included in this arrangement is a clause allowing Ayer to buy out Barker's interest in Ayer Barker if control of Barker itself changes. The meeting to approve the deal is on August 17.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar lacks direction

THE DOLLAR'S expected rise failed to materialise in currency markets yesterday. Fears of central bank intervention and profit taking, effectively postponed any further attempt to break through the DM1.90 level, for the time being.

Trading volume was subdued in the absence of any major economic data. While the dollar retained a bullish undertone, the lack of volume provided a sufficient deterrent against opening fresh positions.

The start of trading in New York failed to give any new impetus, but dealers stressed that the dollar retained a firm undertone, helped by a strong rise in US economic growth and rising inflation. Investors retained an interest in the US unit, because many forecasters were saying that a higher growth rate would ultimately force the authorities to increase interest rates.

Data released yesterday included a smaller than expected increase in US construction spending in June of just 0.1 p.c. against expectations of a 0.5 p.c. rise, and a revised increase in May of 0.8 p.c. Today's release of leading economic indicators may provide some inspiration, but most investors are content to wait for the release of US unemployment figures on Friday.

The dollar finished at DM1.8765 from DM1.8750 and Y132.75 compared with Y133.05. Elsewhere it finished at SFr1.5615, unchanged from Friday and FFr6.3275 against FFr6.3175. On Bank of England figures, the dollar's exchange rate index finished at 98.7 from 98.6 on Friday.

Sterling opened on a strong note, and tended to track the dollar to higher levels. However, investors soon adopted a more cautious line, partly because of fears that the Bank of England would intervene to restrict sterling's rise, but also because trading volume was relatively thin, as many senior traders took their summer holidays. Despite the lack of movement, most traders expected the pound to improve in the short term, as foreign investors remain attracted to the high return offered on UK investments.

The pound rose to DM3.2150 from DM3.2075 and there was no intervention by the Bank of England. It was also higher against the French franc at FFr10.8425 from FFr10.8075 and SFr2.6750 against SFr2.6700. The pound was unchanged against the yen at Y227.50. In dollar terms sterling edged up to $1.7135 from $1.7105.

On Bank of England figures, the pound's exchange rate index finished at 76.7, down from 76.8 at the start, but up from 76.5 on Friday.

In Frankfurt the fear of central bank intervention and the lack of trading volume persuaded many investors to take profits. The D-Mark finished little changed on the day against the dollar, as investors retreated to the sidelines in the absence of any economic data.

Elsewhere the D-Mark fell to a record low against the yen, finishing at Y70.74 from Y70.92 on Friday. It opened at Y70.79 and continued to lose ground as investors switched out of D-Marks and into yen.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug.1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6705	+2.86	+1.14	±1.5344
Danish Krone	7.85212	7.91795	+0.84	-0.88	±1.5404
German D-Mark	2.05853	2.08562	+1.32	-0.40	±1.0981
French Franc	6.90403	7.02619	+1.77	+0.05	±1.3674
Dutch Guilder	2.31943	2.35504	+1.54	-0.18	±1.5012
Irish Punt	0.768411	0.775394	+0.91	-0.81	±1.6684
Italian Lira	1483.58	1538.61	+3.71	+2.66	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Aug.1	Latest	Previous Close
£ Spot	1.7130-1.7135	1.7095-1.7105
1 month	0.38-0.37pm	0.36-0.34pm
3 months	1.06-1.03pm	1.04-1.01pm
12 months	3.40-3.30pm	3.35-3.25pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug.1	Previous
8.30 am	76.8	77.1
9.00 am	76.7	77.0
10.00 am	76.8	76.8
11.00 am	76.7	76.7
Noon	76.6	76.5
1.00 pm	76.6	76.7
2.00 pm	76.6	76.6
3.00 pm	76.6	76.6
4.00 pm	76.7	76.5

CURRENCY RATES

Aug.1	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.759508	0.649483
U.S Dollar	6	1.29648	1.11191
Canadian $	8.75	1.56952	1.34542
Austrian Sch.	3½	17.1071	14.6484
Belgian Franc	7	51.0035	43.6705
Danish Krone	7½	9.24520	7.91795
Deutsche Mark	3	2.43868	2.08562
Neth. Guilder	4	2.74789	2.35504
French Franc	9½	8.20996	7.02619
Italian Lira	12½	1797.50	1538.61
Japanese Yen	2½	171.848	147.773
Norway Krone	8	8.81606	7.55935
Spanish Peseta	-	160.613	137.277
Swedish Krona	8½	8.31173	7.14628
Swiss Franc	2½	2.02769	1.73737
Greek Drach.	20½	194.731	167.099
Irish Punt	-	N/A	0.775394

*All SDR rates are for July.29

CURRENCY MOVEMENTS

Aug.1	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.7	-15.7
U.S Dollar	98.7	-9.4
Canadian Dollar	85.5	-2.1
Austrian Schilling	133.2	+9.6
Belgian Franc	97.4	-6.4
Danish Krone	89.2	+0.5
Deutsche Mark	143.0	+20.1
Swiss Franc	166.5	+20.3
Guilder	131.5	+12.8
French Franc	68.9	-14.8
Lira	45.0	-20.8
Yen	241.3	+78.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) **Rates are for July.29.

OTHER CURRENCIES

Aug.1	£	$
Argentina	N/A	N/A
Australia	2.1245-2.1275	1.2405-1.2415
Brazil	412.15-414.45	240.55-241.75
Finland	7.5740-7.5870	4.4210-4.4230
Greece	255.15-259.25	149.10-151.50
Hong Kong	13.3780-13.3950	7.8040-7.8060
Iran	121.50*	70.50*
Korea(Sth)	1232.75-1242.65	720.90-726.70
Kuwait	0.48500-0.48550	0.28300-0.28310
Luxembourg	67.30-67.40	39.25-39.35
Malaysia	4.5210-4.5325	2.6380-2.6400
Mexico	3914.75-3930.80	2284.00-2292.00
N. Zealand	2.5715-2.5790	1.5015-1.5030
Saudi Ar.	6.4280-6.4340	3.7505-3.7515
Singapore	3.4985-3.5045	2.0435-2.0455
S. Af (Cm)	4.2110-4.2220	2.4555-2.4575
S. Af (Fn)	6.0945-6.2815	3.5540-3.6630
Taiwan	48.85-49.10	28.55-28.70
U.A.E.	6.2945-6.3000	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Aug.1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7070-1.7160	1.7130-1.7140	0.39-0.36cpm	2.63	1.05-1.00pm	2.39
Canada	2.0670-2.0765	2.0675-2.0685	0.29-0.21cpm	1.45	0.64-0.52pm	1.12
Netherlands	3.62¼-3.63¼	3.62¾-3.63¾	2-1⅝cpm	5.78	5⅛-4⅝pm	5.37
Belgium	67.10-67.45	67.30-67.40	31-15cpm	4.10	70-50pm	3.56
Denmark	12.17¼-12.23¼	12.20¼-12.21¼	3⅛-1¼orepm	2.52	8-6¾pm	2.36
Ireland	1.1935-1.1990	1.1935-1.1945	0.37-0.27pm	3.22	1.08-0.85pm	3.23
W. Germany	3.20¼-3.22	3.21¼-3.21¾	1⅞-1⅝pfpm	6.07	4¾-4¼pm	5.44
Portugal	260.35-262.55	260.75-261.75	39-85cdis	-2.85	117-217dis	-2.56
Spain	211.00-212.00	211.40-211.70	16-par cpm	-0.45	27-5pm	0.30
Italy	2364¼-2373¼	2370½-2371½	1-par lirepm	0.25	par-2dis	-0.17
Norway	11.62-11.65½	11.64¼-11.65¼	2-2⅞oredis	-2.51	5⅞-7¼dis	2.23
France	10.81¼-10.84¼	10.83¾-10.84¾	3⅛-2¾cpm	1.12	9¼-8¼pm	3.07
Sweden	10.98¾-11.02½	11.01¼-11.02¼	½pm-½oredis	0.07	1⅝-⅞pm	0.32
Japan	227-228¼	227-228	1½-1¼ypm	6.59	3¾-3¼pm	6.15
Austria	22.51-22.59	22.52-22.55	10¼-5groμm	5.26	30¼-26pm	4.98
Switzerland	2.67-2.68¼	2.67-2.68	2-1½cpm	7.85	4⅞-4¼pm	6.82

Belgian rate is convertible francs. Financial franc 68.15-68.25. Six-month forward dollar 1.94-1.89cpm 12 months 3.35-3.25cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Aug.1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7070-1.7160	1.7130-1.7140	0.39-0.36cpm	2.63	1.05-1.00pm	2.39
Ireland†	1.4300-1.4370	1.4345-1.4355	0.11-0.16cdis	-1.13	0.32-0.42dis	-1.03
Canada	1.2055-1.2115	1.2070-1.2080	0.11-0.13cdis	-1.19	0.37-0.40dis	-1.27
Netherlands	2.1125-2.1270	2.1195-2.1205	0.59-0.57cpm	3.29	1.59-1.55pm	2.97
Belgium	39.15-39.45	39.25-39.35	6-4cpm	1.53	14-10pm	1.22
Denmark	7.10¼-7.15¼	7.12¼-7.12¾	0.15-0.35orepm	0.17	0.15-0.35pm	-0.06
W. Germany	1.8700-1.8850	1.8760-1.8770	0.53-0.50pfpm	3.30	1.48-1.43pm	3.11
Portugal	151¼-152½	152¼-152½	60-80cdis	-5.58	165-215dis	-5.05
Spain	123.15-123.75	123.50-123.60	20-30cdis	-2.43	60-70dis	-2.11
Italy	1380-1389	1383¾-1384¼	2.70-3.40liredis	-2.65	8.50-9.50dis	-2.60
Norway	6.78½-6.81¼	6.79½-6.80	2.85-3.00oredis	-5.16	7.80-8.00dis	-4.65
France	6.30¾-6.34¾	6.32½-6.33	0.53-0.43cpm	0.91	1.55-1.30pm	0.90
Sweden	6.41¼-6.44	6.42¾-6.43¼	1.30-1.40oredis	-2.52	3.90-3.50dis	-2.12
Japan	132.50-133.30	132.70-132.80	0.48-0.45ypm	4.20	1.26-1.21pm	3.72
Austria	13.14-13.23½	13.16¾-13.17¼	3.10-2.20gropm	2.42	9.20-6.90pm	2.45
Switzerland	1.5580-1.5680	1.5610-1.5620	0.68-0.65cpm	5.12	1.74-1.69pm	4.40

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.75-39.85.

EURO-CURRENCY INTEREST RATES

Aug.1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9⅞-9¾	10-9⅞	10⅞-10¾	10⅞-10¾	11-10 13/16	11⅛-11
US Dollar	7 13/16-7 11/16	7 13/16-7 11/16	8 1/16-7 15/16	8⅜-8¼	8⅝-8½	8⅞-8¾
Can. Dollar	8¾-8⅝	9-8¾	9¼-9	9⅝-9½	10⅛-9 15/16	10⅜-10⅛
D. Guilder	5¼-4 15/16	5¼-4 15/16	5⅜-5¼	5⅝-5½	5⅞-5¾	5⅝-5½
Sw. Franc	3¼-2¾	3¼-3	3⅝-3½	4⅛-3 15/16	4¼-4⅛	4⅜-4¼
Deutschmark	5¼-5	5⅛-4 15/16	5¼-5	5¼-5⅛	5½-5⅜	5 11/16-5⅝
Fr. Franc	7⅛-6 13/16	7¼-7	7⅜-7⅛	7⅜-7¼	7⅝-7½	8⅛-7 15/16
Italian Lire	11-9	10½-9½	10¼-9¾	11-10½	11½-11⅛	11⅞-11½
B. Fr. (Fin)	6⅞-6⅝	6¾-6½	6⅞-6⅝	7⅜-7⅛	7½-7⅜	7⅝-7½
B. Fr. (Con)	6½-6	6½-6¼	7-6⅝	7⅛-7	7⅝-7¼	7¾-7⅝
Yen	4⅝-4½	4⅝-4½	4⅝-4½	4 11/16-4 9/16	4¾-4⅝	4 13/16-4 11/16
D. Krone	8⅞-8⅝	8¼-7¾	8¼-7¾	8⅞-8½	8⅞-8½	9-8⅝
Asian $Sing	7 13/16-7 11/16	8-7¾	8⅛-8	8⅜-8¼	8⅝-8½	8⅞-8¾

Long term Eurodollars: two years 9¼-9 per cent; three years 9½-9¼ per cent; four years 9⅝-9⅜ per cent; five years 9⅝-9⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Aug.1	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.714	3.215	227.5	10.84	2.675	3.633	2371	2.068	67.35
$	0.583	1.	1.876	132.7	6.324	1.561	2.120	1383	1.207	39.29
DM	0.311	0.533	1.	70.76	3.372	0.832	1.130	737.5	0.643	20.95
YEN	4.396	7.534	14.13	1000.	47.65	11.76	15.97	10422	9.090	296.0
F Fr.	0.923	1.581	2.966	209.9	10.	2.468	3.351	2187	1.908	62.13
S Fr.	0.374	0.641	1.202	85.05	4.052	1.	1.358	886.4	0.773	25.18
H Fl.	0.275	0.472	0.885	62.62	2.984	0.736	1.	652.6	0.569	18.54
Lira	0.422	0.723	1.356	95.95	4.572	1.128	1.532	1000.	0.872	28.41
C $	0.484	0.829	1.555	110.0	5.242	1.294	1.757	1147	1.	32.57
B Fr.	1.485	2.545	4.774	337.8	16.10	3.972	5.394	3520	3.071	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Prices stall on lack of volume

THREE-MONTH Sterling deposits and long gilt futures both finished unchanged from Friday's close, after one of the quietest trading days of the year. The long gilt sector managed to trade a mere 2,000 lots while short sterling traded just under 3,500.

The lack of participation in gilt futures was partly explained by the lack of supply of fresh Government stock. Three-month sterling deposits were affected by a static cash market and growing uncertainty about short term trends in the cash market.

Most investors appeared to be reluctant to open fresh positions in view of the lack of liquidity, and this proved to be a sufficient deterrent, in the absence of any fresh economic data to influence the market.

The US Treasury bond sector was also lacking in volume. Traders were concerned about the rise in US inflation, highlighted by the latest index issued by the National Association of Purchasing Management (NAPM), which showed a significant increase in the number of new orders in July.

Institutions were awaiting Friday's release of US unemployment figures for July. There was concern that another reduction in the unemployment rate would presage a tightening of monetary policy

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
88	648	703	0	3
90	449	509	1	9
92	251	322	3	22
94	102	157	18	57
96	10	60	126	160
98	2	26	318	326
100	0	11	516	511

Estimated volume total, Calls 151 Puts 316
Previous day's open int. Calls 29549 Puts 35812

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
80	630	615	0	35
82	432	441	2	61
84	243	316	13	136
86	110	205	44	225
88	25	117	159	337
90	7	47	341	503
92	2	25	536	645

Estimated volume total, Calls 510 Puts 520
Previous day's open int. Calls 1705 Puts 1697

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Aug	Calls-settlements Sep	Puts-settlements Aug	Puts-settlements Sep
17000	1612	1637	2	27
17500	1125	1188	15	78
18000	681	797	71	167
18500	338	487	228	377
19000	130	268	520	658
19500	37	132	927	1022
20000	8	58	1398	1448

Estimated volume total, Calls 0 Puts 20
Previous day's open int. Calls 16 Puts 112

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Aug	Calls-settlements Sep	Puts-settlements Aug	Puts-settlements Sep
155	1630	1630	0	4
160	1130	1130	0	23
165	630	669	11	94
170	228	341	113	266
175	40	140	425	565
180	3	45	888	970
185	0	11	1385	1436

Estimated volume total, Calls 0 Puts 30
Previous day's open int. Calls 903 Puts 143

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9075	81	66	1	19
9100	58	49	3	27
9125	36	35	6	38
9150	19	24	14	52
9175	8	15	28	68
9200	3	9	48	87
9225	2	5	72	108

Estimated volume total, Calls 0 Puts 140
Previous day's open int. Calls 1388 Puts 2565

LIFFE SHORT STERLING

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8850	70	94	9	21
8875	50	76	14	28
8900	33	60	22	37
8925	20	45	34	47
8950	12	33	51	60
8975	6	24	70	76
9000	3	17	92	94

Estimated volume total, Calls 911 Puts 251
Previous day's open int. Calls 13166 Puts 12440

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
1.650	6.30	6.81	7.14	7.90	0.04	0.98	1.53	2.90
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-settlements Aug	Calls-settlements Sep	Calls-settlements Oct	Calls-settlements Dec	Puts-settlements Aug	Puts-settlements Sep	Puts-settlements Oct	Puts-settlements Dec
1.650	5.85	7.30	7.60	8.40	0.45	1.30	1.90	3.20
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7135	1.7098	1.7033	1.6944	1.6805

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.7090	1.7102	1.7050	1.7024
Dec	1.7020	1.7012	1.6972	1.6924
Mar	1.6930	1.6930	-	1.6844

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 50,058

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	10½	City Merchants Bank	10½	NatWestminster	10½
Adam & Company	10½	Clydesdale Bank	10½	Northern Bank Ltd	10½
AAB-Allied Arab Bk	10½	Comm. Bk N. East	10½	Norwich Gen. Trust	10½
Allied Irish Bank	10½	Co-operative Bank	*10½	PRIVATbanken Limited	10½
Henry Ansbacher	10½	Coutts & Co	10½	Provincial Bank PLC	11½
ANZ Banking Group	10½	Cyprus Popular Bk	10½	R. Raphael & Sons	10½
Associates Cap Corp	10	Dunbar Bank PLC	10½	Roxburghe G'rantee	11
Authority Bank	10½	Duncan Lawrie	10½	Royal Bk of Scotland	10½
B & C Merchant Bank	10½	Equatorial Bank plc	10½	Royal Trust Bank	10½
Banco de Bilbao	10½	Exeter Trust Ltd	11	Smith & Williman Secs.	10½
Bank Hapoalim	10½	Financial & Gen. Sec	10½	Standard Chartered	10½
Bank Leumi (UK)	10½	First National Bank Plc	11½	TSB	10½
Bank Credit & Comm	10½	● Robert Fleming & Co.	10½	UDT Mortgage Exp	$11.45
Bank of Cyprus	10½	Robert Fraser & Ptnrs.	11½	United Bk of Kuwait	10½
Bank of Ireland	10½	Girobank	10½	United Mizrahi Bank	10½
Bank of India	10½	Grindlays Bank	10½	Unity Trust Bank Plc	10½
Bank of Scotland	10½	● Guinness Mahon	11	Western Trust	10½
Banque Belge Ltd	10½	HFC Bank plc	10½	Westpac Bank Corp.	10½
Barclays Bank	10½	● Hambros Bank	10½	Whiteaway Laidlaw	11
Benchmark Bank PLC	10½	Heritable & Gen Inv Bk	10½	Yorkshire Bank	10½
Berliner Bank AG	10½	● Hill Samuel	§10½		
Brit Bk of Mid East	10½	C. Hoare & Co.	10½		
● Brown Shipley	10½	Hongkong & Shangh	10½		
Business Mtge Tst	11	● Leopold Joseph & Sons	10½		
CL Bank Nederland	10½	Lloyds Bank	10½		
Central Capital	10½	Meghraj Bank Ltd	10½		
● Charterhouse Bank	10½	Midland Bank	10½		
Citibank NA	10½	Mount Bnkg Corp.	10½		
		Nat Bk. of Kuwait	10½		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 4.38% Savewise 7.16%. Top Tier-£10,000+ instant access 9.0% $ Mortgage base rate. § Demand deposit 5.½%. Mortgage 10.875% - 11.25%

MONEY MARKETS

UK rates easier on firmer pound

THERE WAS a slightly softer tone to interest rates on the London money market yesterday. Three-month interbank eased to 10⅞-10¾ p.c. from 10 15/16-10 13/16 p.c.

Dealers suggested the UK authorities are caught between the desire to lead rates higher in an effort to combat inflationary pressure, and the fear that higher rates will push sterling to even firmer levels against the D-Mark.

UK clearing bank base lending rate 10½ per cent from July 18

Figures on UK official reserves will be published today, but in the absence of any other major UK economic news this week the market is expected to be quiet, and a further change in bank base rates appears unlikely in the immediate future.

The Bank of England initially forecast a surplus of around £250m with factors affecting the market including repayment of late assistance and bills maturing in official hands, together with a take up of Treasury bills draining £608m. These were more than offset by Exchequer transactions which added £420m and a fall in the note circulation of £410m. In addition, banks brought forward balances £15m above target.

At noon the forecast was revised to a surplus of £200m, and the authorities did not operate in the market.

In the afternoon the Bank of England sold £185m Treasury bills, maturing on August 5, at rates of 9⅞-10 p.c.

Interest rates in Frankfurt rose sharply as banks continued to face a chronic shortage of day-to-day funds. Call money was quoted at 5 p.c., the same as the Lombard rate, and its effective ceiling.

Commercial banks will be obliged to draw heavily on their Lombard borrowing facility unless the Bundesbank provides fresh money through this week's sale and repurchase facility. A previous agreement will draw DM20bn out of circulation, and dealers are looking for at least DM25bn to meet their most immediate needs.

Before end of month technicalities caused a brief lull for credit, banks had accumulated liabilities of around DM6.7bn towards the end of last week. The liquidity shortage is being exacerbated by continued currency intervention by the Bundesbank, and other capital outflows. Many traders are expecting the Bundesbank to announce an increase today in the sale and repurchase rate to 4.25 p.c. from the current 4 p.c.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.1) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8½	offer 8⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds			
Prime rate	9½	One month	6.17	Three year	8.50
Broker loan rate	9-8¾	Two month	6.74	Four year	8.62
Fed.funds	8-7⅞	Three month	7.10	Five year	8.72
Fed.funds at intervention	-	Six month	7.47	Seven year	8.95
		One year	7.89	10-year	9.08
		Two year	8.37	30-year	9.20

Aug.1	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.95-5.05	5.00-5.10	5.05-5.15	5.10-5.30	5.10-5.30	5.00
Paris	7⅛-7¼	7⅛-7⅜	7⅜-7⅛	7⅝-7⅞	7⅝-7¾	6.75
Zurich	1⅞-1⅞	3¼-3½	-	3⅝-3⅞	-	-
Amsterdam	5-5¼	5¼-5⅜	-	5⅜-5⅞	-	-
Tokyo	3.78125	4.03125	-	4.09375	-	-
Milan	10-10½	10⅝-11⅛	-	11-11½	-	-
Brussels	2.40	6¼-6⅜	-	7⅛-7⅜	-	-
Dublin	7⅝-7⅞	7¼-7½	7¾-7⅞	8-7¾	8⅝-8⅞	-

LONDON MONEY RATES

Aug.1	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11	10¼	10⅞	10⅞	11⅛	11⅛
Interbank Bid	8½	9¾	10¾	10¾	10⅞	10 13/16
Sterling CDs	-	-	10¾	10 11/16	10 13/16	10 13/16
Local Authority Deps.	10	10	10¾	10¾	10⅞	11⅛
Local Authority Bonds	-	-	10⅞	11¼	11½	11⅝
Discount Mkt Deps.	10	9¾	10⅝	10¾	-	-
Company Deposits	-	-	10⅞	10⅞	11	11
Finance House Deposits	-	-	10⅞	10⅞	11 1/16	11 1/16
Treasury Bills (Buy)	-	-	10⅝	10⅝	-	-
Bank Bills (Buy)	-	-	10⅝	10 11/16	10⅞	-
Fine Trade Bills (Buy)	-	-	10⅞	11⅛	11⅛	-
Dollar CDs	-	-	8.00-7.95	8.20-8.15	8.55-8.50	8.55-8.50
SDR Linked Dep Offer	-	-	6 13/16	7⅛	7¼	7⅜
SDR Linked Dep Bid	-	-	6 11/16	6 15/16	7⅛	7¼
ECU Linked Dep Offer	-	-	7⅛	7⅜	7 9/16	7 11/16
ECU Linked Dep Bid	-	-	6⅞	7¼	7⅜	7 9/16

Treasury Bills (sell); one-month 10 per cent; three months 10¼ per cent; Bank Bills (sell): one-month 10 5/16 per cent; three months 10⅜ per cent; Treasury Bills: Average tender rate of discount 10.2638 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July.29, 1988. Agreed rates for period August.24,1988 to September.25, 1988, Scheme I: 11.49 p.c., Schemes II & III: 11.86 p.c. Reference rate for period July.1,1988 to July.29, 1988, Scheme IV&V: 10.511 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from August.1, 1988: Bank Deposit Rates for sums at seven days notice 3.25 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 8¼ per cent; three-six months 8¼ per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent; Under £100,000 6 per cent from May.17,1988, Deposits withdrawn for cash - per cent.

Company Notices

BANK OF NEW ZEALAND

US$50,000,000
11⅜ PER CENT.
CAPITAL NOTES 1993

Holders of the above Notes are advised that copies of the 127th Annual Report and Accounts 1988 of Bank of New Zealand for the year ended 31st March, 1988, are available from:–

Bank of New Zealand,
Group Treasury, BNZ Centre,
1 Willis Street, Wellington,
New Zealand.

Bank of New Zealand,
Financial Services Division,
BNZ House, 91 Gresham Street,
London EC2V 7BL.

S.G. Warburg & Co. Ltd.
Paying Agency, 6th Floor,
1 Finsbury Avenue, London EC2M 2PA

2nd August, 1988

Legal Notices

HODGES LIMITED

In the edition of the London Gazette on the 11th May, 1988, an advertisement was published relating to a meeting of creditors of the above named company.

The advertisement should have referred to H. & A. Hodges Limited, which is not connected to the above mentioned company. We regret the inconvenience and embarrassment which has been caused to the Directors and Shareholders of Hodges Limited.

Clubs

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

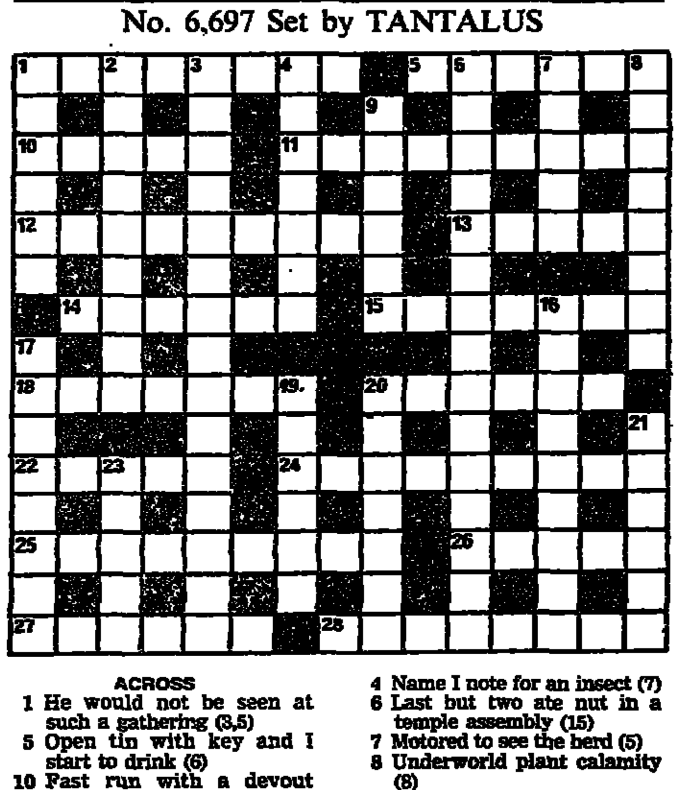
FT 30	FTSE 100	WALL STREET
Aug. 1489/1498 - 8	Aug. 1856/1866 - 9	Aug. 2116/2128 -1
Sep. 1488/1497 - 7	Sep. 1854/1864 - 8	Sep. 2121/2133 -1

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

CROSSWORD

No. 6,697 Set by TANTALUS



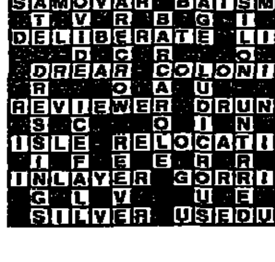
ACROSS

1 He would not be seen at such a gathering (3,5)
5 Open tin with key and I start to drink (6)
10 Fast run with a devout daughter (5)
11 Virtuous as the minds of Chesterton's innkeepers (9)
12 Tree-tops since broken (5,4)
13 Nice worker dropped excuses (5)
14 Departed to send message to this meeting? (6)
15 Have meal with abstainer and sweetheart in here? (7)
18 Point for example (7)
20 Company enticement to form great circle (6)
22 Merits sailors entering choppy sea (5)
24 I'm actor in play as American undertaker (9)
25 Lawyer in Malta trained dog (9)
26 Egghead enters lair built by Gazelle (5)
27 List shows unusual resort (6)
28 Good man with paper upset about headline (8)

DOWN

1 In this place say, disheartened with unorthodoxy (6)
2 Pin-up on river seen floating by oriental (9)
3 Son is dead – dies as a result of this illness (8,7)
4 Name I note for an insect (7)
6 Last but two ate nut in a temple assembly (15)
7 Motored to see the herd (5)
8 Underworld plant calamity (8)
9 Went along with silver arrow (5)
16 Time at school is in turmoil – many reading philosophy (9)
17 RAF officer goes up to Marsh with the German criminal (8)
19 Stay with soldiers on the high sea (6)
20 Officer commanding singer to come up for small crown (7)
21 Learnt to disguise bony outgrowth (6)
23 Flattens bread? (5)

Solution to Puzzle No.6,696



GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ♠ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init Chge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Unit Trusts (y) (1000)F						
Chantrey Pl, Andover, Hants. SP10 1RE 0264 63434						
TSB American	5	99.88	99.88	106.32	+2.36	1.79
Do Accum	5	107.32	107.32	114.03	+2.53	1.79
TSB Brit Growth	5	55.59	55.59	59.14	+0.28	2.85
Do Accum	5	57.39	57.39	61.05	+0.29	2.85
TSB European	5	49.12	49.12	52.40	+0.24	1.23
Do Accum	5	49.92	49.92	53.25	+0.24	1.23
TSB Extra Income	5	149.60	151.45	161.12	+0.44	5.57
Do Accum	5	188.79	190.62	202.79	+0.56	5.57
TSB Smaller Cos	5	55.25	56.95	60.56	+0.15	1.13
Do Accum	5	55.82	57.51	61.18	+0.15	1.13
TSB General	5	179.13	180.06	191.55	+1.80	3.15
Do Accum	5	310.00	311.62	331.51	+3.10	3.15
TSB Gilt & Fxd Int	3½	47.29	47.29	48.90	-0.09	8.83
Do Accum	3½	71.40	71.40	73.84	-0.14	8.83
TSB Income	5	264.86	267.14	284.19	+2.39	4.63
Do Accum	5	442.70	446.53	475.03	+3.99	4.63
TSB Pacific	5	213.93	214.99	228.71	+2.82	0.31
Do Accum	5	222.49	225.58	237.85	+2.92	0.31
TSB International	5	328.55	329.62	350.66	+5.02	0.93
Do Accum	5	413.29	414.62	441.09	+6.31	0.93
TSB Nat. Resources	5	64.22	64.70	68.83	+0.50	1.35
Do Accum	5	67.50	68.01	72.35	+0.50	1.35
TSB Sicial Opps	5	82.54	83.73	89.07	+0.38	2.24
Do Accum	5	93.03	94.37	100.39	+0.45	2.24
3i Unit Trust Managers Ltd (1000)F						
31 Homer Rd, Solihull, B91 3QA 01-928 3356						
Small Co's	5	50.83	50.83	53.81	+0.06	0.00
Target Trust Mngrs Ltd (1600)H						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing: 01-379 0880						
American Eagle	5	64.19	64.19xd	68.71	+1.05	1.20
Australia	5	8.181	8.190	8.700	[illegible]	0.10
Commodity	5	81.60	81.60	87.86	+1.1	1.02
Convertible	5	148.2	148.2xd	159.8	-1.2	5.47
Equity	5	150.7	150.7xd	162.0	+0.9	3.03
Euro Spec Sits	5	78.59	78.99	84.62	+0.24	1.28
Financial	5	31.72	31.72	34.22	-0.36	1.84
Global Opps Inc	5	58.32	58.54	63.09	+0.20	1.57
Global Opps Acc	5	58.32	58.54	63.09	+0.20	1.57
Gold Income	5	55.26	55.26	59.29	+0.14	0.84
Gold Acc	5	101.8	101.8	109.2	+0.3	0.84
Income	5	107.7	107.7xd	115.8	+0.9	4.66
Japan	5	120.8	120.8xd	129.9	+1.3	0.10

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Property June 30	194.15		—	6.59
Equity June 30	712.90		—	3.61
Fxd Int Sec June 30	99.05		—	9.48
* Available only to Local Authorities				
MIM Ltd				
Mngd Pens (Acc)	154.9	58.5	+0.3	0.80
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt July 27	39.2	40.7	....	2.15
Euro Expt July 27	39.0	40.9xd	+0.0	2.27
Japan Expt July 27	52.3	54.9	+0.0	0.86
Managed Ex July 28	39.7	41.2	+0.0	4.29
SE Asia Expt July 27	38.8	40.7	+0.0	2.35
Sm Cos Expt July 27	44.8	47.0	+0.0	2.33
UK Eqty Ex July 27	37.4	39.2	+0.0	4.39
New Court Property Fund Managers				
NC Property	189.5	199.5	....	—
Phillips & Drew Fnd Management Ltd				
PDFM Small Co Fd(5/7)	800.0	849.0	—	3.50
Do Accum	825.0	876.0	—	3.50
PDFM Int Expt July 28	121.3	123.6xd	—	2.79
J. Rothschild Fund Managers Ltd				
Intl Exempt	97.76	98.97	—	1.46
AA Friendly Society				
(Investment Mngt M & G Inv Mngt Ltd)				
AA Friendly Sy July 8	—	141.4	—	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	250.7	263.9	—	—
Equity Ser. 1	116.5	122.7	+0.8	—
Prop. Acc. Ser 2	363.1	382.3	—	—
Equity Ser 2	132.3	139.3	+0.9	—
Selective Acc	289.3	304.6	+0.7	—
Prop. Ser. 4	284.5	299.5	—	—

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	1988 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
99¼	83[illegible]	Redemption 3pc 1986-96	99¼	.....	3.02	7.28
100¼	99[illegible]	Treas. 9½pc '88	99[illegible]	.....	9.52	10.29
102[illegible]	100[illegible]	Treas 11½pc 1989	100[illegible]	.....	11.43	10.36
101[illegible]	99[illegible]	Treas 9½pc Cnv 1989	99[illegible]	.....	9.55	10.30
97[illegible]	95[illegible]	Treas 3pc 1989	96[illegible]	.....	3.10	7.21
102[illegible]	99[illegible]	Treas 10½pc 1989	100[illegible]	.....	10.48	10.24
102	99[illegible]	Exch 10pc 1989	99[illegible]	.....	10.02	10.23
103[illegible]	100[illegible]	Exch 11pc 1989	100[illegible]	.....	10.92	10.23
97[illegible]	95[illegible]	Treas 5pc 1986-89	95½	.....	5.24	8.99
104[illegible]	100	Exch 10¼pcCv '89	100[illegible]	.....	10.20	9.79
107½	103	Treas 13pc 1990‡‡	104[illegible]	.....	12.49	9.88
104[illegible]	100[illegible]	Exch 11pc 1990‡‡	101[illegible]	.....	10.83	9.87
107[illegible]	102[illegible]	Exch. 12½pc 1990	103[illegible]	.....	12.06	10.00
93[illegible]	91[illegible]	Treas. 3pc 1990	91[illegible]	.....	3.28	8.23
99[illegible]	97½	Treas 8¼pc 1987-90‡‡	97[illegible]	.....	8.46	9.73
102½	97½	Treas. 8pc Cv 1990 ‡‡	98[illegible]	.....	8.16	9.08
103[illegible]	98[illegible]	Treas. 10pcCv 1990	100	.....	10.00	9.96
91[illegible]	88[illegible]	Exch 2½pc 1990	89[illegible]	.....	2.81	7.80
107[illegible]	102[illegible]	Treas 11¾pc 1991	103[illegible]	.....	11.34	10.00
95[illegible]	92[illegible]	Funding 5¾pc '87-91‡‡	92[illegible]	.....	6.24	9.13
90[illegible]	87[illegible]	Treas. 3pc 1991	87[illegible]	−⅛	3.41	7.92
105[illegible]	99[illegible]	Treas 10pc Cv '91 ‡‡	100[illegible]	.....	9.92	9.67
107[illegible]	101[illegible]	Exch. 11pc 1991	102[illegible]	.....	10.71	9.99
98[illegible]	93[illegible]	Treas. 8pc 1991	94½	.....	8.47	9.97
113[illegible]	107	Treas 12¾pc 1992‡‡	107[illegible]	.....	11.82	10.00
104[illegible]	99¼	Treas 10pc 1992	100[illegible]	−[illegible]	9.99	9.96
98[illegible]	93[illegible]	Treas. 8pc 1992 ‡‡	94[illegible]	.....	8.51	9.94
106[illegible]	100[illegible]	Treas 10½pc Cv 1992‡‡	101½	−[illegible]	10.34	9.98
86[illegible]	83[illegible]	Treas. 3pc 1992	84[illegible]	.....	3.57	7.86
112[illegible]	106[illegible]	Exch. 12¼pc '92	107[illegible]	−[illegible]	11.43	10.04
117[illegible]	110[illegible]	Exch 13½pc 1992	111[illegible]	−[illegible]	12.13	10.05
97[illegible]	92[illegible]	Treas 8¼pc 1993	93[illegible]	−[illegible]	8.78	9.93
105[illegible]	99[illegible]	Treas 10pc 1993‡‡	100[illegible]	−[illegible]	9.96	9.87
115[illegible]	108[illegible]	Treas 12½pc 1993‡‡	109[illegible]	.....	11.38	9.91

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS — Contd

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
10⅞	754p	Transworld Corp $5	10	.....	20c	—	1.2
20⅛	14½	TRINOVA Corp.	15½xd	+¼	64c	—	2.4
19	15¼	USX $1	18	+⅛	$1.20	—	3.9
23	17⅝	Utd. Technologies	22xd	+⅜	$1.60	—	4.3
33½	25¼	US West‖	32¾	+1	$3.52	—	6.4
21½	16⅞	Waste Management $1.	20[illegible]xd	+[illegible]	48c	—	1.3
16⅞	12⅞	Whirlpool $1	16	+½	$1.10	—	4.0
32⅞	18¼	♥Woolworth $3½	30	+1¼	$1.64	—	3.2

CANADIANS

1988 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp ‖	238p	+13	—	—	—
32p	11p	♥Abbot Energy Corp.	25p	.....	—	—	—
14¼	990p	♥Amer. Barrick Res.	11¼	+¼	—	—	—
10p	3½p	American Lightwave	6p	−1	—	—	—
47p	17p	♥Armeno	19p	+2	—	—	—
76p	45p	Augmitto Expln.	58p	.....	—	—	—
13⅞	10¼	Bk. Montreal ‖	13⅛	.....	$2.00	—	7.1
697p	514p	Bk. Nova Scot.‖	676p	+8	76c	—	5.5
18⅜	15¼	BCE ‖	17¼xd	.....	$2.44	—	6.7
716p	591p	♥Bow Valley‖	682p	+8	‡40c	—	2.9
13⅝	10½	♥Brascan‖	13¼	+⅛	88c	—	3.3
328p	169p	♥Breakwater Res.	242p	+1	10c	—	2.0
11¼	801p	Can.Imp Bank‖	11½	+½	$1.16	—	4.9
11½	841p	Can. Pacific ‖	10⅞	−⅛	60c	—	2.7
41½	40	Do 4pc Deb £100	40½	.....	4%	—	9.9
515p	362p	Central Capital "A" ‖	501p	+1	—	—	—
485p	449p	♥Corona Corp	466p	+8	—	—	—
886p	288p	Cons. TVX Min.	387p	+1	—	—	—
315p	76p	Danbus Res.	314p	.....	—	—	—
686p	430p	Derlan Inds	611p	+8	11.75c	—	0.9
14¼	984p	♥Echo Bay Mines	11¾	+¼	$0.07	—	0.3
40p	26p	Energex Minerals	38p	+1	—	—	—
125p	83p	Euro-Asia Capital Ltd.	122p	+1	—	—	—
386p	222p	♥Galactic Resources	308p	+1	—	—	—
125p	92p	♥Geodome Res.	94½p	+2½	—	—	—
394p	206p	Granges Expln‖	232p	.....	—	—	—
17p	8½p	♥Gt Pacific Res.	16⅞p	−⅛	—	—	—
903p	652p	♥Gulf Canada‖	881p	+6	52c	—	2.9
12⅛	816p	♥Hawker Sid Can‖	11¼	+⅛	$1.08	—	4.5
590p	268p	Henlys Group	268p	−299	—	—	—

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

1988 High	Low	Stock		Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
321	202	Campari Int. 20p	y	312	+7	6.5	4.4	2.8	8.8
290	165	♦Castle Comms. 5p	y	249	.....	7.0	2.0	4.0	16.8
304	161	Capital Radio 10p		288	+1	†6.0	2.7	2.9	17.3
568	447	Central ITV		444	.....	22.0	2.5	3.4	10.0
148	105	Chrysalis	y	113	+2	7.0	1.9	7.9	8.7
99	43	♦Chrysalis... 5p		79	.....	0.5	3.7	0.8	32.4
32	13	Classic Tr...		31	–1	—	—	—	—
73	49	Edenderry	y	65½	.....	Q24.6%	0.9	8.6	20.3
30	14	♦Entertain Prod 5p	y	27½	.....	—	—	—	—
*150	80	Expedier Lds. 20p	y	140	.....	—	—	—	—
430	290	Fairline Boats 10p	y	422	–1	†9.0	4.7	2.8	10.0
152	120	First Leisure		142	.....	†2.34	3.6	2.2	16.7
475	325	♦GWR Group 20p	y	475	.....	—	—	—	18.7
50	42	Grampian TV A 10p		47	.....	2.5	2.6	7.1	7.2
41	26	♦Greenwich Comm	y	40	.....	—	—	—	—
281	214	HTV Ord		219	+2	†9.8	3.8	6.0	5.9
119	45	Hanimex A$0.25		115	.....	m06c	—	2.4	—
163	156	Hi-Tec Sports	y	158	.....	3.6	3.1	3.0	14.2
60	49	Julianas Hldgs 2p	y	59	.....	2.85	1.9	6.9	12.9
46½	32	♦Kunick 10p		44	+½	†1.0	2.8	3.0	17.5
177	122	LWT 5p		163	.....	5.7	2.9	4.7	9.9
448	183	Land Leisure 10p		404	–3	8.0	4.8	2.6	10.7
*118	68	Leisure Inv 10p		105xr	–2	gt1.45	2.2	1.8	35.5
115	67	Leisuretime Int 10p	y	95	+1	—	—	—	—
402	235	♦Marina Dev. 50p	y	402	+22	1.0	♦	0.3	♦
218	175	Mecca Leisure 10p		217	+1	†g3.65	2.3	2.2	21.6
125	79	Medminster 10p	y	116	.....	†t2.57	2.5	3.1	16.9
423	315	...	y	422	+1	†4.0	3.1	1.3	28.2
318	200	... World 10p		310	.....	8.0	2.6	3.4	15.1
62	32	♦... Vision 5p		58	.....	—	—	—	♦
23	17	...		19	.....	Q2c	6.0	9.7	4.5
169	87	...		153	+22	—	—	—	—

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † *Interim since increased or resumed*
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☆ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; *cover relates to previous dividend or forecast.*
- ♦ *Merger bid or reorganisation in progress*
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. *f Flat yield. g Assumed dividend and yield.* h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net *dividend and yield. B Preference dividend passed or deferred.* C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988–89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987–88. *L Estimated annualised dividend,* cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: *xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.*

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	y	71	......
Craig & Rose £1	y	700	......
Finlay Pkg. 5p	y	89	–1
Holt (Jos) 25p	y	£11⅝	+⅛

IRISH

Nat. 9¾% 84/89	£100¼	......
9pc Cap Ln. 1996	£93¼	......
Fin. 13% 97/02	£119	......

Arnotts	y	365	......
CPI Hldgs	y	138	......
Carrol Inds	y	165	......
Hall (R. & H.)		148	......
Helton Hldgs	y	56	......
Irish Ropes	y	160	......
Unidare	y	485	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	38
NEI	10
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property

Brit Land	30
Land Securities	52
MEPC	52
Peachey	50

Oils

Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	5
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines

Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Mon Aug 1 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Jul 29 Index No.	Thu Jul 28 Index No.	Wed Jul 27 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (209)	812.63	+0.5	9.89	3.91	12.51	15.94	808.65	806.10	802.69	988.43
2	Building Materials (29)	1026.41	+0.7	11.08	4.13	11.06	18.65	1019.23	1018.62	1014.08	1288.70
3	Contracting, Construction (37)	1604.20	+0.1	10.35	3.34	12.63	26.91	1603.22	1610.80	1600.23	1836.59
4	Electricals (12)	2225.74	+0.8	8.33	4.48	14.83	48.13	2208.29	2198.38	2176.53	2596.70
5	Electronics (31)	1767.29	-0.5	9.60	3.40	13.28	37.62	1776.13	1755.80	1752.88	2072.84
6	Mechanical Engineering (56)	424.87	+1.0	9.67	4.12	12.81	8.49	420.73	420.49	417.96	538.31
8	Metals and Metal Forming (7)	501.30	+0.8	9.36	3.73	13.18	7.95	497.30	498.39	497.51	588.76
9	Motors (14)	288.55	+1.5	11.34	4.47	10.22	5.54	284.26	284.14	281.81	391.39
10	Other Industrial Materials (23)	1341.17	+0.8	8.74	4.16	13.67	28.21	1329.94	1324.12	1322.43	1637.94
21	CONSUMER GROUP (186)	1108.25	+0.7	8.88	3.55	14.22	17.68	1100.10	1095.58	1093.36	1342.05
22	Brewers and Distillers (21)	1121.11	+0.5	10.59	3.63	11.90	17.80	1115.38	1110.25	1108.25	1208.84
25	*Food Manufacturing (21)*	*1016.66*	*+1.1*	*8.50*	*3.59*	*15.05*	*17.45*	*1005.79*	*1005.19*	*1003.06*	*1028.95*
26	Food Retailing (16)	2001.18	+0.8	8.65	3.33	15.25	29.07	1984.83	1989.29	1988.53	2527.24
27	Health and Household (12)	1885.93	+1.7	6.60	2.59	17.60	18.01	1854.49	1843.58	1839.98	2526.06
29	Leisure (30)	1354.05	+0.4	8.53	3.69	15.01	24.81	1348.78	1341.16	1332.23	1403.24
31	Packaging & Paper (17)	539.17	+0.3	9.13	3.77	14.04	9.64	537.40	536.44	532.96	721.14
32	Publishing & Printing (18)	3645.24	+0.2	7.84	4.19	16.02	72.37	3638.61	3616.94	3551.09	4546.27
34	Stores (34)	810.81	+0.2	10.24	4.02	12.85	14.57	809.13	803.30	808.44	1125.35
35	Textiles (17)	612.74	+0.3	11.29	4.44	10.48	12.51	610.75	606.47	604.80	813.93
40	OTHER GROUPS (93)	907.46	+0.9	10.92	4.33	11.19	17.93	899.07	894.90	894.18	1137.45
41	Agencies (19)	1124.63	+0.5	8.02	2.42	15.77	17.95	1118.83	1117.13	1137.95	1727.15
42	Chemicals (21)	1075.39	+1.5	11.85	4.71	10.12	25.01	1059.98	1059.88	1058.03	1457.63
43	Conglomerates (13)	1230.41	+0.9	10.17	4.35	11.33	20.98	1219.90	1210.87	1206.56	1473.15
45	Shipping and Transport (12)	1945.09	+1.6	11.01	4.60	12.03	34.04	1913.81	1903.11	1898.29	2341.49
47	Telephone Networks (2)	971.16	+0.7	11.46	4.58	11.32	20.38	964.29	960.05	959.49	1091.36
48	Miscellaneous (26)	1214.98	+0.6	11.18	4.25	10.21	24.64	1207.71	1199.16	1191.62	1607.73
49	INDUSTRIAL GROUP (488)	988.96	+0.7	9.71	3.86	12.81	17.77	981.83	977.91	975.68	1210.07
51	Oil & Gas (12)	1845.63	-0.6	10.81	5.77	11.89	50.45	1856.99	1836.86	1834.96	2420.71
59	500 SHARE INDEX (500)	1061.60	+0.5	9.86	4.13	12.67	20.55	1055.93	1050.63	1048.48	1312.83
61	*FINANCIAL GROUP (122)*	*710.33*	*+0.2*	–	*4.87*	–	*17.45*	*708.56*	*704.49*	*705.14*	*829.00*
62	Banks (8)	666.52	-1.2	21.48	6.55	6.24	24.36	674.91	668.33	675.65	828.81
65	Insurance (Life) (8)	1090.17	+1.9	–	4.60	–	24.97	1070.31	1065.79	1054.20	1120.37
66	Insurance (Composite) (7)	558.21	+0.3	–	5.30	–	13.82	556.80	556.40	554.95	621.24
67	Insurance (Brokers) (7)	992.04	+0.6	9.71	6.42	13.31	31.54	986.26	986.36	992.38	1334.56
68	Merchant Banks (11)	355.88	+1.3	–	4.06	–	7.03	351.43	350.47	352.23	485.15
69	Property (51)	1239.96	+1.1	5.01	2.61	25.61	14.21	1226.08	1218.77	1214.70	1271.81
70	Other Financial (30)	381.02	-0.2	10.57	5.10	11.85	9.41	381.82	378.79	378.85	584.59
71	Investment Trusts (78)	920.74	+0.8	–	3.00	–	12.35	913.52	910.01	913.41	1121.88
81	*Mining Finance (2)*	*526.50*	....	*9.10*	*3.57*	*12.43*	*8.12*	*526.27*	*517.82*	*522.51*	*727.93*
91	Overseas Traders (8)	1149.14	+0.2	10.03	4.86	11.72	29.22	1147.35	1145.11	1146.69	1201.39
99	ALL-SHARE INDEX (710)	969.89	+0.5	–	4.21	–	19.36	965.18	960.10	958.99	1188.43

	Index No.	Day's Change	Day's High	Day's Low	Jul 29	Jul 28	Jul 27	Jul 26	Jul 25	Year ago
FT-SE 100 SHARE INDEX ‡	1862.2	+8.6	1866.9	1860.5	1853.6	1841.3	1840.8	1837.7	1838.5	2334.3

FIXED INTEREST

	PRICE INDICES	Mon Aug 1	Day's change %	Fri Jul 29	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	120.44	+0.01	120.43	–	7.00
2	5-15 years	136.50	+0.08	136.39	–	8.49
3	Over 15 years	148.35	+0.14	148.13	–	6.88
4	Irredeemables	163.74	+0.02	163.70	–	7.30
5	All stocks	134.08	+0.07	133.99	–	7.79
	Index-Linked					
6	5 years	128.16	....	128.16	–	1.12
7	Over 5 years	121.22	+0.01	121.21	–	2.13
8	All stocks	121.62	+0.01	121.61	–	2.04
9	Debentures & Loans	117.59	-0.01	117.60	–	6.54
10	Preference	92.78	-0.04	92.99	0.17	3.61

	AVERAGE GROSS REDEMPTION YIELDS		Mon Aug 1	Fri Jul 29	Year ago (approx.)
	British Government				
1	Low	5 years	9.53	9.53	8.58
2	Coupons	15 years	9.41	9.42	9.62
3		25 years	9.18	9.19	9.63
4	Medium	5 years	9.96	9.96	9.84
5	Coupons	15 years	9.64	9.66	9.89
6		25 years	9.39	9.44	9.89
7	High	5 years	10.07	10.06	9.97
8	Coupons	15 years	9.78	9.80	10.02
9		25 years	9.43	9.46	9.71
10	Irredeemables	†	9.63	9.63	9.48
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.79	2.79	2.58
12	Inflation rate 5%	Over 5 yrs.	3.83	3.82	3.82
13	Inflation rate 10%	5 yrs.	1.76	1.75	2.37
14	Inflation rate 10%	Over 5 yrs.	3.66	3.65	3.78
15	Debs &	5 years	10.93	10.90	10.64
16	Loans	15 years	10.89	10.86	10.63
17		25 years	10.89	10.86	10.63
18	Preference	†	9.71	9.69	10.40

‡Opening Index 1861.1; 10 am 1861.7; 11 am 1863.1; Noon 1865.6; 1 pm 1865.5; 2 pm 1865.7; 3 pm 1864.6; 3.30 pm 1866.8; 4 pm 1863.8

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.
CONSTITUENT CHANGES: Atlantic Assets(71) has been deleted. RIT Capital Partners(71) has been inserted. Smith & Nephew Assoc. Cos.(27) has changed to Smith & Nephew.

LONDON TRADED OPTIONS

Option		CALLS Oct	Jan	Apr	PUTS Oct	Jan	Apr
[illegible]							

Option		CALLS Aug	Nov	Feb	PUTS Aug	Nov	Feb
[illegible]							

August 1 Total Contracts 26,071 Calls 20,436 Puts 5,635
FT-SE Index Calls 1444 Puts 1636
*Underlying security price.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	53	23	57
Corporations, Dominion and Foreign Bonds	13	2	37
Industrials	624	182	788
Financial and Properties	266	65	328
Oils	32	18	60
Plantations	2	2	9
Mines	67	25	100
Others	140	27	93
Totals	1,197	344	1,452

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]							

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. § Offered to holders of ordinary shares as a "rights". ‡ Introduction. § Placing price. †† Reintroduction. ‡ Issued in connection with reorganisation merger or takeover. ‖ Allotment price. ‡ Unlisted securities market. ◊ Official London listing. □ Including warrants entitlement. * Third Market.

Company Notices

2nd Notice to the Holders of The Kyowa Bank, Ltd., U.S.$100,000,000 1 3/4 per cent Convertible Bonds *Due 2002 (the "Bonds")* issued on 24th August, 1987

Notice was given on 12th July, 1988 with respect to expected adjustments of the Conversion Price for the Bonds resulting from the issue of Y60,000,000 Convertible Bonds of The Kyowa Bank, Ltd. (the "Bank") by public offering on 28th July, 1988 (the "CB issue") and the issue of 15,000,000 shares of common stock of the Bank by public offering on 29th July, 1988 (the "Share issue"), both in Japan.

However, as a result of fixing prices for the CB issue and the Share issue pursuant to the 2nd resolution of the Board of Directors of the Bank regarding these issues adopted on 12th July, 1988, at the levels set out below, no adjustments have been necessary. Consequently the Conversion Price for the Bonds remains at Y1,381 per Share.

The details are as follows:

1. CB issue
   1) initial Conversion Price applicable to the CB issue: Y1,313 per Share
   2) current market price per Share to be compared: Y1,257.7 per Share.
   Since the above Initial Conversion Price is higher than the current market price per Share, no adjustment was *required*.
2. Share issue
   1) issue price per Share applicable to the Share issue; Y1,207 per Share
   2) current market price per Share to be compared: Y1,270.3
   3) Conversion Price for the Bonds before calculation of adjustment: Y1,381
   4) Conversion Price for the Bonds after calculation of adjustment: Y1,380.1

Since the adjustment calculated would require a decrease in the Conversion Price of less than one yen, no adjustment was made, such adjustment being carried forward pursuant to Condition 5 (C) (X) of the Terms and Conditions of the Bonds.

The Kyowa Bank, Ltd.,
London Branch
as Principal Paying Agent

Notice to Holders of

The Long-Term Credit Bank of Japan, Limited (the "Bank") 1¾% Convertible Bonds Due 2002 (the "Bonds")

Pursuant to Clause 7(D) of the Trust Deed dated 31st July, 1987 under which the above Bonds were issued, notice is herby given as follows:

1. The Bank issued 5,000,000 shares of its Common Stock through public offering on 31st July, 1988 pursuant to the resolutions of the meetings of its Board of Directors held on July 1, 14 and 21, 1988. As a result, the following adjustment to the conversion *price of the* Bonds has been *made:*
   (1) Conversion price prior to such adjustment: Yen 21,893
   (2) Conversion price after such adjustment: Yen 21,884.90
   (3) Effective date of the adjustment: 31st July, 1988 (Tokyo time)
2. At its meeting held on 1st July, 1988, the Board of Directors of the Bank resolved a free distribution of shares of its Common Stock on 18th November, 1988 to the shareholders of record as of 30th September, 1988, at the rate of 3 shares for each 100 shares held by them. As a result, *the following adjustment to the* conversion price of the Bonds will be made:
   (1) Conversion price prior to such adjustment: Yen 21,884.90
   (2) Conversion price after such adjustment: Yen 21,247.50
   (3) Effective date of the adjustment: 1st October, 1988 (Tokyo time)

2nd August, 1988

The Long-Term Credit Bank of Japan, Limited

IL COMITATO PER L'INTERVENTO NELLA S.I.R.

informs

1. that on 8 July 1988, a formal offer has been submitted to purchase all industrial activities of the group, recorded as assets at the date of 31 December 1986, apart from increases which have occurred in the meantime, for a value of 221.245 billion lires.

2. that whoever wishes to improve said offer, must do so, within 30 days starting from 2 August 1988, in compliance with the terms and conditions, related to the bond as well, set forth in the implementing procedures approved by the Comitato on 8 July 88.

Copy of both the offer to be improved and the implementing procedures referred to above, held at the Comitato offices, Via Boncompagni, n. 6 - Roma (Italy) and at the Ufficio Cessioni of SIR Finanziaria S.p.A.- VIA GRAZIOLI n.33 - MILAN (ITALY) - shall be sent to any interested party who shows preliminary elements of reliability in accordance with the CIPI resolution dated 28 May 1987.

LONDON STOCK EXCHANGE

Speculative stocks flavour equities

NERVOUSNESS over UK base rates continued to recede in the London securities markets yesterday in the face of a steady pound. Equities turned in another firm, if cautious, performance, with the international leaders taking their cue from Wall Street, and speculative situations again enlivened the consumer sectors. Government bonds, however, saw very little activity as the market awaited details today of the next auction of near-dated Treasury stock.

Sterling's firmness proved no discouragement to the blue chip exporting stocks, which moved up smartly, albeit in fairly light trading. There was some demand for ICI, despite the implications for its European chemicals profits of a pound at a two-year high against the DM. However, a rise of 20p in Glaxo reflected turnover of a mere 385,900 shares.

Account Dealing Dates		
First Dealings:		
Jul 18	Aug 1	Aug 15
Option Declarations:		
Jul 28	Aug 11	Sep 1
Last Dealings:		
Jul 29	Aug 12	Sep 2
Account Day:		
Aug 8	Aug 22	Sep 12

*New time dealings may take place from 9.00 am two business days earlier.

Equities opened firmly and tried at first to extend their early gains. The FT-SE 100 stocks were restrained by the bank sector, where three of the big names went ex-dividend as last week's higher payments were taken aboard.

At the close, the FT-SE Index showed a gain of 8.6 at 1862.2, against, incidentally, 2334.3 on the comparable trading day last year! Although turnover was somewhat selective, the final Seaq volume total of 381.7m shares (428.5m on Friday) indicated a sound undertone.

The market was underpinned by a generally favourable reception from analysts for the public acknowledgement last week by Mr Nigel Lawson, the UK Chancellor of the Exchequer, that domestic inflation will edge up in the short term.

At Prudential-Bache Capital Refunding, Mr Bill Smith told clients that the equity market now faces an inflation spiral similar to that in late 1984. Pointing out that the market was little affected by the 1984 inflation uptick, he suggests that the reaction will be similar this time.

Nomura Securities, while concerned about the signs of economic overheating, believes that the FT-SE Index will succeed in pushing above 2000 before the year-end, "once it becomes obvious that the Chancellor has a credible response to the overheating situation".

Shares in the major lending banks fell back as the sector analysts gave their considered judgements on last week's half time reports.

The Government bond sector saw very little business, and prices ended virtually unchanged on the session. An attempt was made to edge higher at first, when the pound showed signs of renewed strength. But early gains in bonds, which never ranged much beyond ⅛, evaporated when sterling settled down again. Nomura, the Japanese securities house, yesterday entered the lists of traders making markets in UK Gilts in London.

Abbey Life in the frame

HOPES of a bid for Abbey Life, the unit-trust linked life company, flared up again yesterday as speculators, who had been looking for a bid from Continental Europe, turned their eyes nearer to home. The shares closed 11 up at 338p, but had bounced as high as 341p earlier.

The renewed speculative interest centred around a meeting yesterday morning between City analysts and Lloyds Bank management to review last week's interim report. Lloyds' own life assurance operation has been growing strongly.

However, while returning the usual "no comment on market rumours", Mr Brian Pitman, chief executive of the bank, pointed to the rapid growth of its existing life assurance operations, giving the impression that there was no inclination to make any highly-rated acquisition.

Abbey Life shares slipped back from their best levels as reports filtered back from the analysts' meeting. However, turnover of 4.8m shares indicated sustained hopes of a bid, perhaps from France where the local fund managers have been buyers of Abbey shares. Other life assurance stocks also continued to attract the speculators.

RHM off the boil

Ranks Hovis McDougall rose firmly in early trading as dealers reacted to market rumours – soon proved unfounded – that the shares were about to be suspended pending a counter-bid. RHM settled 4 higher at 466p, after 470p, in good two-way business as 6.4m shares traded. A subsequent unfounded report that Goodman Fielder Wattie, the Australian bidder of 465p a share for RHM, had sold its 29.99 per cent stake for around 525p a share intensified speculation.

Other bid favourites among Food stocks were positively affected, but when no announcement was made concerning the RHM rumours, most came off the boil and closed slightly below their highs. Cadbury Schweppes improved 4 to 379p, Dalgety was 5 better at 352p and Unigate 6 higher at 319p. Meanwhile, United Biscuits fell 3 to 308p following some Press confusion between it and United Brands.

BA await figures

British Airways rose briskly to 158p, up 5, as interest quickened ahead of Thursday's first-quarter figures. Some 3.8m shares changed hands. Most analysts are advocating near-term caution, but currently rate the shares as cheap, in view of the expected turnround at British Caledonian.

County NatWest WoodMac is forecasting £67m compared with £90m for the similar period last year, but points out that the July traffic figures will be annouced about a week after the first-quarter profits and expects these to show the continued rehabilitation of BCal. County is also impressed by the speed at which the BCal merger has been implemented and believes that the group's relative rating is too low. The group's high cash generation means that the level of financial leverage is comfortable.

British Gas active

British Gas were one of the few Alpha stocks to move against the run of play. Quoted ex the net dividend payment of 5½p, the shares continued to rate highly with private investors and earned top honours in the day's activity lists, recording turnover of 7.6m. But in the aftermath of Friday's heavy business when the income funds and traders alike bought aggressively for the dividend, the price eased back to 181p.

Some marketmakers were probably lightening their holdings yesterday – numerous trades were transacted via inter-broker dealer screens – but there was little sign of the funds selling. A sector analyst remarked, "longer-term investors obviously thought this an opportunity to buy shares of a group, set to expand and representing first-class value".

International stocks were marked higher before a subdued opening on Wall Street led to slight downward pressure late on. A resurgence of dealer interest in leading chemical and pharmaceutical stocks was responsible for most of the day's gains, but institutional investors were still on the sidelines. Glaxo led the action with a rise of 20 to 978p in disappointing turnover, while ICI was 16 better at 1044p. Beecham held its spot as current favourite in the sector, rising 6 to 490p, and BOC improved 10 to 419p.

Amersham International surged again, up 81 to 677p, this time in response to weekend Press suggestions that a bid might come between 850p and 900p a share. The annual meeting today is seen as a possible forum for discussion of the articles of association following last week's removal of the Government's Golden Share protection. Chemoxy jumped 24 to 195p following last week's bullish agm and Foseco Minsep rose 10 to 261p on small buying interest.

Vaux responded further after Friday's high turnover of 500,000 shares and weekend Press comment with a gain of 30 to 713p, enlivening an otherwise uninspired Brewery sector. Dealers reported speculation that stakeholder Sir Ron Brierley was back in the market looking for stock, while the Canadian brewer Labatts was also mentioned. The shares have risen from 600p at the beginning of July.

Leading brewers were subdued, but Morland continued its recent progress with a rise of 17 to 600p. Scrappy buying and a general shortage of stock was responsible for the rise.

Rowlinson Securities raced ahead to 195p, up 25 for a two-day gain of 45p. With most of the equity tightly held, dealers put the advance down to a squeeze on bear positions. The company said that other than normal trading, it was unaware of an explanation for the rise.

Elsewhere in a rather quiet Building sector, BPB, still reflecting a recent bullish circular, improved afresh to 282p, up 5. Blue Circle Industries met with an early flurry of activity as Hanson bid rumours resurfaced and eventually settled 4 to the good at 448p, but turnover at the end of the day amounted to well under half a million shares. Arncliffe still helped by last week's bumper interim figures, advanced 18 more to 200pxd.

Stylo featured after speculation in the Press that British Land is ready to sell its 26 per cent stake in the shoe retailer to Control Securities. The shares closed at 300p, 25 better on the day.

Turnover in Sears was again high - 12m shares went through the system - as profit-taking and a denial from House of Fraser that it had sold its 10 per cent stake pulled the price down 6 to 132p. Next bounced back from last week's low to firm 8 to 239p after favourable Press comment about its Grattan's mail-order subsidiary.

Northern Engineering Industries rose 3 to 98p on hopes that the company will win a major part of the £600m CEGB contract for the West Burton and Kingsnorth coal-fired power stations. If successful, this would add at least £300m to an order book currently standing at £800m for the year.

Admiral Computing dropped 22 to 146p in thin trading as dealers marked the price down after the company said late on Friday that it could find no justification for the large rise in its share price that day. Thorn EMI rose 5 to 663p on hopes that a buyer has been lined up for Inmos. Cable & Wireless closed 9 better at 386p on good news about Mercury, while Ferranti lost 4 to 91p after the shares went ex-dividend.

Engineers provided outstanding movements in GKN, supported ahead of the August 10 interim figures, which touched 338p before settling 8 to the good at 335p. TI Group, awaiting Thurday's half-year statement, were also noteworthy for a gain of 9 at 357p. Birmingham Mint, reflecting renewed speculative demand, moved up 10 further to 191p, while Vosper Thornycroft improved a similar amount to 200p, amid continuing hopes that the company will benefit from the recent Saudi arms deal.

Reports that the UK Motor trade is expecting record sales for the third successive year - the car registration prefix changed yesterday to "F" - underpinned the sector, without arousing too much extra activity. Lucas Industries rose 9 to 550p and Lex Service improved further to 413p, but only T.Cowie made any significant headway among Distributors. Awaiting Thursday's interim statement, the shares gained 4 to 129p.

Charles Barker, the advertising and PR agency, closed 20 higher at 178p after announcing that it is in discussions regarding a possible offer for the company. Dealing in the shares was effectively suspended when Cazenove, the only house to deal in any size, stopped making a market on the grounds that it is broker to Charles Barker.

Property stocks were firmer all round as interest rate worries recede, with MEPC and Land Securities - up 6 at 550p and 7 better at 579p, respectively - leading the way. Also in demand were British Land, 11 firmer at 350p, and Slough Estates, 7 higher at 299p as both stocks benefitted from promotion to Alpha status.

P&O emerged from the shadows, gaining 13 to 578p amid increased volume of 2.0m shares.

Atkins Bros. furthered last week's good advance, rising 23 more in a limited market to a year's peak of 388p, while recovery hopes lifted Lister 6 to 112p.

The debut of Rit Capital Partners (RIT), a new company formed when J Rothschild (JRH) put £265m of its assets into a new investment trust at no cost to shareholders, gave a splash of colour to the sector. RIT attracted fair business and closed at 84p while, ex the distribution of 10 RIT shares and £6 of 2.5 per cent Convertible stock for every 30 shares held, JRH settled at 141p.

Business in Traded Options remained steady, with 26,071 contracts traded, of which 20,436 were calls and 5,635 puts. In demand were British Gas, with 4,264 calls and 950 puts, and Sears, which traded 2,058 contracts in total. The FT-SE Index continued to be popular, notching up 3,080 contracts on the day.

Traditional Options

- First dealings July 25
- Last dealings Aug 5
- Last declarations Oct 27
- For Settlement Nov 7

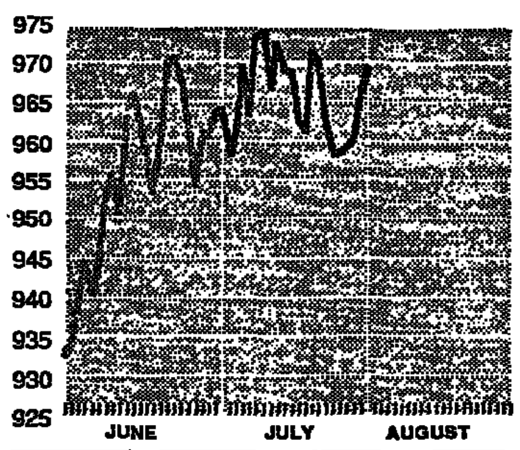
For rate indications see end of London Share Service

Interest remained at a high level in the Traditional option market. Stocks dealt in for the call included Dee Corporation, Chloride, Helical Bar, J. Jarvis, Sears, Smith and Nephew, Metal Box, Regentcrest, Pilkington, Suter, Vosper Thornycroft, Hawtin and Singer and Friedlander. Puts were arranged in Raglan Property and Helical Bar, while double options were transacted in Singer and Friedlander, Regentcrest and Chloride.

NEW HIGHS AND LOWS FOR 1988

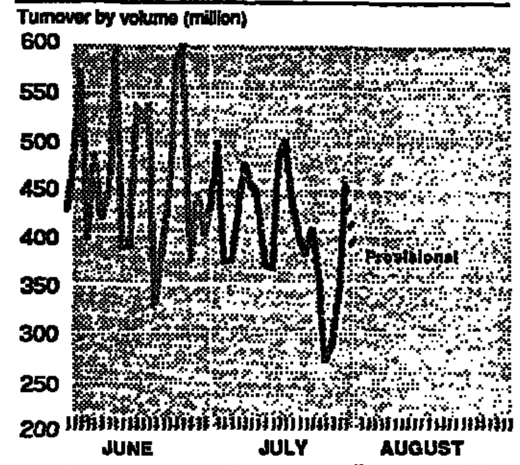
NEW HIGHS (117).
AMERICANS (2) Cons. Freightways, Quaker Oats, CANADIANS (1) Spiral Eng., BANKS (3) Chancery, Wells Fargo, BREWERS (4) Belhaven, Marston Thompson, Morland, Vaux, BUILDINGS (8) Arncliffe, Crosby (James), Gleeson (M.J.), Hewetson, Higgs & Hill, Tay Homes, CHEMICALS (6) Akzo, Brent, Chemoxy, Porvair, Wardle Storeys, Yorkshire, STORES (1) Coles Myer. ELECTRICALS (16) ENGINEERING (7) Chamberlin & Hill, Howden, SKF AB, Saville Gordon, TI, Thornton (G.W.), Tyzack (W.A.), FOODS (2) A.B. Foods, Berisford (S & W), HOTELS (2) IoM Enterprises, Ladbroke, INDUSTRIALS (21) Airley, BTR, Barry Wehmiller, Brammer, Cannon St Invs., Charterhall, Delaney, Dominion Intl., Derek, Helma, High-Point Servs., Hille Ergonom, Johnson Cleaners, Lincoln House Wrrts., Powell Duffryn, Ropner "A", Select Appointments, Slebe, T.I.P. Europe, Transport Dev., Waterman Partnership, INSURANCE (1) Allianz AG, LEISURE (4) Airtours, Marina Dev., Midsummer Leis., Prism Leis., MOTORS (4) Cowie (T.), Jessups, Trimoco 11½pc 1996, Western Motor, NEWSPAPERS (4) Adscene, Euromoney Pubs., Hobsons Publishing, Trinity Intl., PAPERS (5) Aspen Comms., Barker (Charles), Cropper (James), Lowe H-S & B, TMD Advertising, PROPERTY (11) TEXTILES (1) Atkins Bros., TRUSTS (13) OILS (2) Coastal Corpn., Intl. Pet., MINES (2) CRA, Explaura Hldgs.
NEW LOWS (14).
CANADIANS (1) Henlys, BANKS (1) Gerrard & National, ELECTRICALS (2) Microsystems, Synapse Computer, ENGINEERING (1) Habit Precision, INDUSTRIALS (4) Bullers, Rock, SAC Intl., Unilock, MOTORS (1) Kwik-Fit, PAPERS (1) Moorgate, OVERSEAS TRADERS (1) Ocean Wilsons, MINES (1) Gold Fields S.A., THIRD MARKET (1) Andaman Res.

FT-A ALL-SHARE INDEX



SEAQ SHARES TRADED

Turnover by volume (million)



FINANCIAL TIMES STOCK INDICES

	Aug 1	July 29	July 28	July 27	July 26	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.98	87.94	88.04	87.84	87.80	87.32	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.58	97.57	97.48	97.42	97.40	96.34	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1496.5	1488.7	1480.7	1478.8	1473.0	1815.1	1510.5 (11/7)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	204.0	203.8	204.5	209.4	213.2	489.6	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)

	Aug 1	July 29	July 28	July 27	July 26	Year Ago
Ord. Di. Yield	4.53	4.56	4.59	4.57	4.58	3.17
Earning Yld. %(full)	11.49	11.58	11.64	11.56	11.61	7.82
P/E Ratio (Net)( )	10.60	10.52	10.47	10.57	10.52	15.73
SEAQ Bargains (5pm)	24,482	30,846	26,696	19,604	22,693	60,382
Equity Turnover (£m)	-	908.55	1084.62	856.30	743.88	1661.06
Equity Bargains	-	30,105	27,415	23,488	23,667	69,841
Shares Traded (ml)	-	399.5	454.4	347.0	291.6	755.6

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1493.8	1494.3	1496.4	1498.5	1499.1	1498.1	1496.9	1497.3

DAY'S HIGH 1499.3 DAY'S LOW 1493.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆ Nil 10.50

S.E. ACTIVITY

Indices	July 29	July 28
Gilt Edged Bargains	105.3	111.6
Equity Bargains	195.1	177.6
Equity Value	1836.4	2192.3
5–Day average		
Gilt Edged Bargains	108.5	110.9
Equity Bargains	166.4	159.5
Equity Value	1732.2	1753.4

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,300	161	+2
Abbey Life	4,800	337	+9½
Allied-Lyons	1,500	425	+1
Amstrad	2,800	234	+5
Argyll Group	1,400	192	+1
Assoc. Brit. Foods	232	316	+3
BAA	848	276	
BAT	1,900	435	+5
BET	873	234	+1
BICC	291	362	+4
BOC	1,100	419	+10
BPB Inds	800	282	+5
BTR	2,000	289	+4
Barclays	2,800	401	-4
Bass	837	795	
Beecham	935	490	+6
Blue Arrow	2,100	103	+3
Blue Circle	308	448	+4
Boots	647	229	+2
Brit. Airways	3,800	158	+5
Brit. Aerospace	916	473	+3
Brit. & Comm.	1,000	237	-3
British Gas	7,600	181xd	-1½
BP	2,400	260	+½
Brit. Telecom	1,900	244	+1
Burmah Oil	597	544	-1
Burton	2,200	226	+3
Cable & Wireless	2,100	384	+7
Cadbury Schweppes	2,900	379	+4
Coats Viyella	284	239	+2

Stock	Volume 000's	Closing Price	Day's change
Commercial Union	2,800	384	+2
Cons. Gold	515	£10½	-⅛
Cookson	46	264	+2
Courtaulds	326	352	
Dalgety	538	352	+5
Dee Corporation	987	182xd	+2½
Dixons	333	181	+4
Eng. China Clays	610	453	
Enterprise Oil	494	497xr	-2
FKI Babcock	531	128	+2
Fisons	1,800	255	+6
General Accident	851	921	+3
General Elect.	3,700	156½xd	+2
Glaxo	385	978	+20
Globe Investment	255	144	+1½
Glynwed	583	313xc	+3
Granada	74	307	+3
Grand Met	861	494	+2
GUS "A"	74	£20¼	
Guardian R.E.	965	195	+1
GKN	1,300	335	+8
Guinness	839	327	+2
Hammerson	35	629	+3
Hanson	6,900	143¼	+1½
Hawker Siddeley	351	529	+2
Hillsdown Hldgs	1,300	279	+7
IMI	806	207	+3
ICI	648	£10¼	+¼
Inchcape	1,200	213	+3
Jaguar	489	298	+5

Stock	Volume 000's	Closing Price	Day's change
Ladbroke	1,100	437	+5
Land Securities	1,000	579	+7
Laporte	148	424	+5
Legal & General	1,900	337	+9
Lloyds Bank	1,900	300xd	+1½
LASMO	545	467	-2
Lonrho	1,200	238xr	-2
Lucas	293	558	+9
MEPC	1,300	550	+6
Marks & Spencer	2,500	173	+1
Maxwell Comm.	379	217	-1
Metal Box	1,000	240	+2
Midland Bank	397	420xd	-2½
NatWest Bank	961	558xd	-2
Next	2,200	239	+8
Northern Foods	70	303	
Pearson	156	779	+4
Pearl Group	318	497	+9
P & O	2,000	578	+13
Pilkington	1,900	215	+2
Plessey	4,900	168	-2
Prudential	2,600	169½	+2½
Racal	2,600	328	-3
Rank Org.	415	718	+9
RMC	10	483	+3
RHM	6,400	466	+4
Reckitt & Colman	169	929	+10
Redland	1,600	425	+3
Reed Intl.	1,900	468	
Reuters "B"	1,100	500xd	+1

Stock	Volume 000's	Closing Price	Day's change
RTZ	1,400	433	+2
Rolls-Royce	1,200	139	+1
Rothmans "B"	399	415xd	+3
Ryl Bank Scotland	283	369	-1
Royal Insurance	2,100	403	
STC	634	277	+1
Saatchi & Saatchi	166	358	+3
Sainsbury	1,200	217	+2
Scott & Newcastle	1,300	336	+5
Sears	12,000	132	-6
Shell Transport	760	£10¾	+½
Smith & Nephew	2,800	138	+5½
Standard Chtd.	115	555	
Storehouse	570	239	-1
Sun Alliance	367	992	
T & N	357	178	+2
TSB	1,100	106	+½
Tarmac	554	235	+3
Tate & Lyle	151	879	-2
Tesco	1,900	145	+4
THORN EMI	490	663	+5
Trafalgar House	768	305	+2
Trusthouse Forte	985	248	
Ultramar	499	289	-2
Unilever	1,400	488	+18
United Biscuits	1,900	308	-3
Wellcome	296	536	+3
Whitbread "A"	1,550	308	+3
Williams Holdings	561	298	+6
Wimpey	283	250	
Woolworth	105	278	+1

APPOINTMENTS

Managing director at Scottish & Newcastle

■ Mr Gavin B. Reed is to become group managing director - operations at SCOTTISH & NEWCASTLE BREWERIES from September 12. He will be responsible for the day-to-day running of all operating companies.

Educated at Eton and Trinity College, Cambridge, Mr Reed, who is 53, joined Newcastle Breweries in 1958. His career in the group included a spell in the hotel division, including a period as managing director of Thistle Hotels, of which he is still a board member.

Mr Reed is chairman of McEwen Younger, Milburn Estates, and The Newcastle Breweries. He is also on the boards of Atlantic Assets, and The Newcastle & Gateshead Water Co.

Thistle Hotels chairman

Mr I.G. Hannah is to become chairman of Thistle Hotels, a subsidiary, from September 12, in addition to his post as managing director. He succeeds Dr B.C. Kilkenny who is retiring.

■ Mr Philip Bushill-Matthews, sales and distribution director of BIRDS EYE WALL's, has joined the board of Van den Berghs & Jurgens, becoming managing director of the Craigmillar division in succession to Mr Eric Wright who will be retiring in November. Mr Tony Pearce, sales director (Batchelors range) of Brooke Bond Batchelors, has been appointed sales director of Birds Eye Wall's. Mr Jim Reilly, commercial director of Birds Eye Wall's, in addition becomes responsible for distribution.

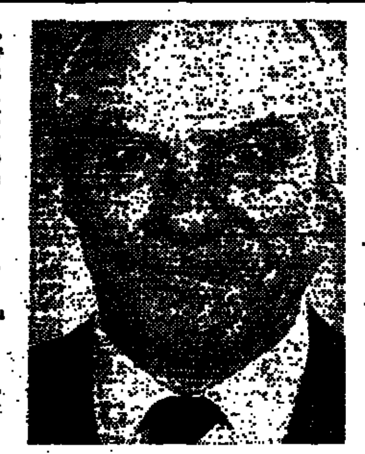
■ Mr David B.B. Smith, chief executive of the Dunfermline Building Society, has been appointed to the board of the SOUTH FIFE ENTERPRISE TRUST.

■ BOLTON BRADY, an industrial doors maker in Bolton, has appointed Mr Stephen Penny as sales and marketing director. He was sales manager with Renold Power Transmission.

■ Mr Keith Oates, finance director of Marks and Spencer, has been appointed a BBC Governor.

■ Mr Stewart W. Urry has been appointed executive chairman of SHOP & STORE DEVELOPMENTS and its associated companies.

■ ROTCH PROPERTY GROUP has apppointed Mr S. Ferrada as a director. He was a director of the Hammerson Property Investment and Development Corporation.



Sir Christopher Benson (above) has become chairman of MEPC following the retirement of Mr Robin Adam. Sir Christopher was managing director, and has been succeeded by Mr James Tuckey, who was deputy managing director.

■ PREMIER CONSOLIDATED OILFIELDS has appointed Mr Charles J.A. Jamieson as managing director, He was finance director.

■ REDPATH INDUSTRIES, Tate & Lyle's Canadian subsidiary, has appointed Mr W. Darcy McKeough as president and chief operating officer. He was chairman. He changes posts with Mr L.R. (Red) Wilson, who is also a main board director of Tate & Lyle, and chairman and managing director of Tate & Lyle North America. He will become chairman of A.E. Staley Manufacturing Co, Decatur, Illinois, recently acquired by Tate & Lyle.

■ NURDIN & PEACOCK has appointed Mr Ken Harris, a director, to head the northern division. Mr Malcolm Carter joins the board as central area director; and Mr Brian Pescott becomes southern area director. Mr Tony Hopkins, a director, heads a new central trading division. Mr Nigel Hall, head of management services, joins the board as financial director designate; and Mr Robin Lamb, head of the legal department, joins the board as company secretary. Three associate directors have been appointed: Mr Alan Snell, trading; Mr Ted Clements, security; Mr David Rix, general manager, Norwich.

■ Dr D.Hywel Davies has been appointed managing director of TOPEXPRESS, Cambridge, part of the VSEL Consortium. He is a special adviser to the European Commission on technology in the aeronautical industry.

■ Mr Paul Byrne has been appointed sales and marketing director of GOODMANS, part of TGI. He formerly managed the Marantz UK subsidiary.

COMMODITIES AND AGRICULTURE

Outokumpu clings to Chilean copper deal

By Olli Virtanen in Helsinki

OUTOKUMPU, the Finnish mining and metallurgical group, is clinging to its copper concentrate supply agreement with Chile's Escondida project in spite of growing political pressure at home.

If the deal falls through, Outokumpu will have to cut drastically its smelting and other copper-related businesses, which account for almost 50 per cent of the group's net sales.

Mr Harri Holkeri, Finland's Prime Minister, yesterday *decided to take a second look* at the $47m loan guarantees which the Government has given to the state-owned company. Meanwhile, the transport workers' union (AKT), after meeting Outokumpu executives yesterday, reaffirmed its threat to boycott copper imports from Chile.

The union and several left wing politicians object to Finnish involvement with what they describe as Chile's fascist regime. AKT is powerful enough to cut copper imports by boycotting materials handling in ports.

Meanwhile Outokumpu has evaluated the consequences it will face *if it is forced to call* off the supply agreement *signed in New York* a week ago. Under to the deal Outokumpu will buy 50,000 tonnes of copper concentrate annually from Escondida for 12 years from 1991. This would cover 20 per cent of demand at the Harjavalta smelter on the west coast of Finland.

Mr Pertti Voutilainen, president of Outokumpu, said in Helsinki yesterday that if the company had to back down, it would probably close the Harjavalta smelter, which produced 77,400 tonnes of anode copper last year. Multiplier effects, said Mr Voutilainen, could also force the company to shut the Harjavalta plant (15,400 tonnes in 1987). All in all the company might have to lay off up to 1,300 people from the total workforce of 15,000, he said.

As an integrated copper group, with businesses ranging from copper mines and smelters to copper products and copper-related engineering, the whole chain of production could change drastically.

Peruvian miners' strike spreading

By Barbara Durr in Lima

PERU'S TWO-week-old miners' strike is spreading and more deliveries may be affected.

Southern Peru Copper Corporation, the country's largest copper operation, is considering a declaration of *force majeure* after its smelter workers at Ilo joined the strike last week.

An official of the National Federation of Mining, Metallurgical and Steel Workers said that another silver mine, the Carolina, in the north central department of Cajamarca, had joined the strike. Miners at Chanchamayo, one of the *country's most important zinc* mines, were last night deciding if they would strike.

The official added that workers at the state-owned steel company, Siderperu, would debate joining the strike this Thursday.

Miners at Arcata, one of the country's *top silver* mines, are still at work, but they are reported to be threatening to join the strike.

The Federation estimates that the strike is costing Peru $4m a day in export income.

Centromin, the largest state-owned mining complex, declared *force majeure* on all its silver deliveries last week.

The miners are adamantly sticking to their demands, which include a substantial pay rise, a six-hour working day, and retirement at 50 years of age or at 20 years' service. Currently the average miner's monthly salary is 10,000 intis, or $50. The union calculates the cost of an average family grocery basket is about 45,000 intis, or $225, a month.

According to the Geophysical and Metallurgical *Institute and the Occupational* Safety Institute, Peruvian miners have a life expectancy of 40 years and some 80 per cent suffer from lung diseases.

The Federation has held some conversations with Mr Orestes Rodriguez, the Minister of Labour, but these appear to have got nowhere. It is the first time that miners are attempting to negotiate at a national, industry-wide level, something that the Ministry and mine owners have tried to prevent.

Single market may harm Danish pigmeat exports

By Hilary Barnes in Copenhagen

DENMARK'S LUCRATIVE pigmeat exports to Japan and the US may be threatened by the completion of the EC's internal market in 1992, according to the Danish Slaughterhouse Association.

The country is classified as a foot and mouth disease-free area, which enables it to export to these markets.

The pigmeat producers fear that when restrictions on imports of pigmeat to Denmark from other European countries are lifted in 1992, Denmark will no longer be able to maintain its disease-free classification.

The producers say that it will no longer be possible to guarantee that meat exported from Denmark was actually produced in Denmark and not in a country where foot and mouth occurs.

Denmark exports more pigmeat to the UK than to any other country, but Japan is its most valuable market, with exports last year totalling DKr 3.1bn (£250m) compared with exports to the UK worth DKr 2.8bn. Exports to the US were worth DKr 800m and total exports of fresh and frozen pigmeat were worth DKr 10.4bn.

Palm oil output higher

By Wong Sulong in Luala Lumpur

MALAYSIA'S production of crude palm oil for the first half of this year rose by 14 per cent to 2.12m tonnes compared with the same period last year, according to government figures.

The Statistics Department said production for the month of June increased by 83,900 tonnes or 21 per cent to 478,000 tonnes from the previous month. The latest figure was also 22 per cent up on production in June last year.

Production of palm kernel for the first half was 620,000 tonnes, compared with 535,000 tonnes previously – an increase of 16 per cent.

The second half of the year is traditionally the peak production period for Malaysian palm oil, and palm oil officials expect the output for this year to exceed 5m tonnes, compared with 4.53m tonnes last year, unless there is severe flooding during the monsoon season at the end of the year.

Meanwhile prices of crude palm oil have been falling sharply on the Kuala Lumpur Commodities Exchange in line with softer soyabean prices on the Chicago market.

EC farm incomes down 3.5%, says report

By Tim Dickson in Brussels

FARMERS WHO grumbled that 1987 was a bad year will *find ample support for their* case in new figures published yesterday by the European Commission.

A report produced by Eurostat, the Statistical Office of the European Communities, shows that agricultural incomes last year fell on average a real 3.5 per cent below the level of 1986 and are thus virtually back to the level reached at the beginning of the decade.

Eurostat cites three indicators to measure income trends, but places most reliance on so-called net value added at factor cost per annual work unit – computed from the value of final agricultural production, less intermediate consumption, depreciation and production taxes, plus subsidies – *this* covers only income from farming activity, not other sources of income of those employed in agriculture.

The decline, according to the Commission, is due largely to an average nominal fall in producer prices in the Community of 1.2 per cent, the *major factor* being a drop in prices for animal production of 2 per cent. Production volume was almost unchanged, with crop output up just 1.1 per cent due to higher figures for oilseeds and olive oil, and animal production down 1.6 per cent mostly as a result of declining milk output.

While the overall income trend in the Community was negative, however, Eurostat reveals considerable differences between member states. The biggest income falls in 1987 were in West Germany (minus 16.3 per cent) and Denmark (minus 12.4 per cent), but Irish farmers (plus 13.9 per cent) and their Spanish counterparts (plus 5.8 per cent) did notably better.

The improvement in Ireland *is attributed mainly due to* higher production, prices but the sole factor in Spain was an increase in production volume last year. The income losses in Germany and Denmark are explained by production setbacks related to unfavourable weather and harvest conditions.

The survey figures, which *exclude Portugal, show that* agricultural income in the Community in 1987 was little ~~different in real terms~~ from the average level between 1979 and 1981.

Increases of 20 per cent or more were recorded, however, in Luxembourg, Spain, the Netherlands and Denmark, with the medium term trend *slightly above the EC average* in Ireland, Greece and Belgium.

High profits from well-fed grain

FARMER'S VIEWPOINT

By David Richardson

GARY KOEHN farms 2,400 acres of essentially desert land on the high plains of northern Texas. The land lies a little over 5,000 feet above sea level and is 20 miles south of the Oklahoma panhandle and 10 miles east of the New Mexico state line.

It seems, at first sight, a rather inhospitable place and hardly ideal for arable farming. But every inch of the land which Mr Koehn crops is irrigated and that is why this year, in contrast to many of his fellow American farmers further north, he expects to enjoy pretty good profits.

His cropped acreage is half hard winter wheat and half maize. In order to qualify for the US Government's farm aid programme on the crops he does grow he also has left the minimum requirement of land bare, or set-aside.

When he did the calculations last year that looked like essential insurance. Even at the above average yields he usually grows anticipated prices of both wheat, at about $2.40 a bushel, and maize at $2.10 a bushel, would barely allow him to break even. The set-aside programme, on the other hand, pays him between $120 and $140 per acre for doing virtually nothing as well as making him eligible for US Department of Agriculture loans on the crops he harvested.

He could not have foreseen the drought which provoked prices to peak in late June at $3.80 a bushel for wheat and $3.70 for maize. If he had he would have planted every acre. Even so Mr Koehn concedes that 1988 is going to be a very good and profitable year.

For while dry-land farmers further north have been writing wheat crops off in worst cases and harvesting from four to 10 bushels per acre where they had some rain Mr Koehn has averaged some 36 bushels (about one tonne) an acre over the whole farm, and on his best irrigated fields up to 54 bushels an acre.

He reckons he would have done even better had it not been for disease he calls root rot and we call take-all, and attacks by insects called Russian aphids, which are now threatening the whole of the high plains area and causing a great deal of concern. But he is satisfied with *his yields* and the prices he was able to obtain for the grain.

He is even more optimistic, however, about his maize. Normally he expects to harvest around 175 bushels per acre from his irrigated crops but this year, because it has been cooler than usual in his particular area and summer rainfall has been five to six inches above average, he is hoping the yield will top 200 bushels an acre.

Certainly the crops looked excellent to me when I walked through them over the weekend and Mr Koehn said he'd never seen his maize looking better.

Largely responsible for the good looking crops were his 17 centre-pivot irrigators, each covering a 130-acre circular field. Their slowly-rotating beams sprinkle water, drawn from a central well, at a rate of two and half inches per week. As one of them *edged forward* towards us through the eight foot stalks, I could understand his optimism.

The maize was destined to be fed to some of the 1m or so beef cattle which are fattened within 100 miles of Mr Koehn's farm. The north Texas area is said to have more beef feedlots than any other in the US, and they provide a ready market for all the maize local farmers can produce.

Each feedlot contains several thousand animals. Bred perhaps on the ranches of Montana or Wyoming or in the foot hills of the Rocky Mountains, they are purchased, often by speculators, and sent to commercial feedlots for finishing.

But *feedlots* are usually *just* that – a collection of pens containing up to 100 beef animals each, to which concentrated feed has to be brought. In other words they are not farms but beef production factories to which all the raw materials must be supplied from outside.

By common consent *it has* been a profitable business for the past few years. Feed supplies have been plentiful and cheap and there has been no real surplus of beef

In anticipation of that situation continuing many fatteners purchased young cattle earlier this year at high prices. Now, unless they purchased low-priced feed futures at the same time, they are faced with paying much more to people like Gary Koehn for the maize which forms the basis of their feed ration.

To add to their problems, essential supplies of hay, commonly trucked in from Colorado and Oklahoma, are also in short supply because of the drought in those states and prices have rocketed. In addition soyabean meal, one of the main sources of protein for the cattle, has also become scarce and expensive.

The chances are, therefore, if beef fatteners failed to lock in a margin on *the grain and beef* futures markets when they purchased their cattle, that they could lose $200 to $300 a head. And since none of them can claim to be real farmers they will not be eligible to claim any of the $6bn drought relief promised last week by the US Government.

Meanwhile sales of centre-pivot irrigators, having declined to almost zero in recent years, have begun to take off again as farmers with good prospects seek to buy what they regard as the best possible crop insurance – the ability to grow good crops in times of drought.

They hope underground water resources will last, although there's no long-term guarantee of that. But while they do there are good profits to be made while others suffer disaster.

UK food body welcomes funding change

By Bridget Bloom, agriculture correspondent

THE BRITISH Government's decision to change the funding arrangements for Food from Britain means that the export promotion organisation will in future be "talking business rather than survival," Mr Walter Goldsmith, FFB chairman, said at the weekend.

Last week, Mr John MacGregor, the Minister of Agriculture, announced alterations to the Government's funding of FFB which effectively means that it will pay the organisation's administrative and establishment costs.

"This means we can plan for the future with a new confidence," Mr Goldsmith said. Relations with industry would thereby be put on a much better footing, since they would now be "exclusively about the promotion of British food and drink."

While Government support for FFB is expected to remain at just some £4.5m a year for the next two years, it has now guaranteed £3.5m of this

FFB was founded five years ago on the initiative of the then Minister of Agriculture, Mr Peter Walker, to boost domestic consumption and exports of British food. It has always been much more lightly funded than its more successful overseas counterparts, while it has been criticised on the grounds that the interests of the food and drink industries are too disparate to be coped with by a single umbrella organisation

When Mr Goldsmith took over as chairman a year ago, he initially asked for a £30m budget. He has since begun a drive to increase industry's contribution, which this year amounts to some £3m.

However, in response to the Government's move on funding, Mr Goldsmith said FFB accepted the challenge of raising extra promotional funds from industry, though increasing funding would come from its own commercially-oriented efforts.

Exporters to be compensated for payment delays

By David Blackwell

UK EXPORTERS of agriculture commodities are to be paid millions of pounds in compensation for delays in receiving export-refund payments due under the EC's Common Agricultural Policy rules.

Mr Alan Chandler, the secretary-general of the UK Provision Trade Federation, estimates that between £1m and £2m compensation will be paid this year to the dairy product and pigmeat sectors alone.

Delays in the payments have arisen mainly because of problems with a new computer at the Intervention Board for Agricultural Produce (IBAP), which administers CAP rules in Britain. The board cannot *put a figure on the amount it* expects to pay. "It's Catch 22 – we can't tell how much is outstanding until we pay it," said Mr Steven Briggs for the board.

However, Mr Donald Thomson, Parliamentary Secretary at the Ministry of Agriculture, told the House of Commons last week that urgent expenditure estimated at up to £5m would be met by repayable advances from the *Contingencies Fund.*

The IBAP, which has held talks on the scheme with trade federations, is expected to make the first payments in the autumn. Compensation will be based on the base rate plus one percentage point on export refund claims which have suffered a delay of more than two months, commencing from January 1.

Mr Chandler said the *compensation* "will go a long way to meet traders' loss of profit."

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER PRICES fell through chart support levels on the LME as the market continued its decline in thin trading, dealers said. Cash metal lost £37 to £1,215 — the lowest closing price since early May — in spite of a lower than expected rise in LME warehouse stocks last week. Market sentiment was weakened by losses on other base metals, particularly aluminium. Meanwhile, dealers are keeping a close watch on the spreading mining strikes in Peru (see this page). Coffee prices rallied towards the close with some industry buying and general shortcovering. Last week's sharp fall in prices has put an end to origin selling, and milds are getting increasingly difficult to obtain after the ICO quota cut.

SPOT MARKETS

Crude oil (per barrel FOB September)		+ or -
Dubai	$13.70-3.80y	-0.065
Brent Blend	$15.61-5.68z	-0.105
W.T.I. (1 pm est)	$16.16-6.21y	+.065

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$181-183	
Gas Oil	$135-137	
Heavy Fuel Oil	$69-71	-2
Naphtha	$141-143	+2
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$433.75	-2.00
Silver (per troy oz)♣	683c	+2
Platinum (per troy oz)	$527.00	+5.50
Palladium (per troy oz)	$125.50	
Aluminium (free market)	$2612.5	-57.5
Copper (US Producer)	102-102⅛c	-2½
Lead (US Producer)	36c	
Nickel (free market)	645c	-15
Tin (European free market)	£4300	+10
Tin (Kuala Lumpur market)	19 10r	+0.14
Tin (New York)	339.25c	
Zinc (Euro. Prod. Price)	$1200	
Zinc (US Prime Western)	65⅝c	
Cattle (live weight)†	116.97p	+1.20*
Sheep (dead weight)†	210.49p	+14.0*
Pigs (live weight)†	70.23p	+0.28*
London daily sugar (raw)	$309.4x	+12.4
London daily sugar (white)	$287x	+12
Tate and Lyle export price	£292.0	+8.5
Barley (English feed)	£102.00z	+0.25
Maize (US No. 3 yellow)	£143.5w	
Wheat (US Dark Northern)	unq	
Rubber (spot)♥	75.75p	
Rubber (Sep)♥	81.75p	
Rubber (Oct) ♥	82.00p	
Rubber (KL RSS No 1 Aug)	349.0m	+0.5
Coconut oil (Philippines)§	$600x	+5
Palm Oil (Malaysian)§	$472.5q	
Copra (Philippines)§	$425	
Soyabeans (US)	$184w	+7
Cotton "A" Index	60.75c	+0.20
Wooltops (64s Super)	650p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Aug. y-Sep. q-Oct. w-Jul/Aug. x-Aug/Sep. s-Sep/Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Sep	934	949	941	930
Dec	936	942	938	928
Mar	942	944	942	935
May	956	957	954	948
Jul	971	972	970	963
Sep	989	988	988	979
Dec	1030		1020	1011

Turnover: 3974 (12549) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for July 29: 1193.32 (1207.33) :10 day average for Aug 1: 1218.30 (1222.01) .

COFFEE £/tonne

	Close	Previous	High/Low	
Sep	1012	1025	1020	992
Nov	1020	1017	1025	998
Jan	1020	1018	1031	1005
Mar	1030	1025	1036	1016
May	1035	1035	1048	1020
Jly	1040	1050	1051	1083

Turnover: 2088 (5211) lots of 5 tonnes
ICCO indicator prices (US cents per pound) for July 29 :Comp. daily 109.21 (108.70); . 15 day average 113.67 (114.03).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	264.80	267.00	277.20	263.00
Dec	252.00	260.00	255.00	254.20
Mar	243.80	245.60	253.60	241.00
May	239.40	241.00	246.00	239.00
Aug	234.00	231.00		
Oct	230.00	235.00		

White	Close	Previous	High/Low	
Oct	279.00	282.00	286.00	276.00
Dec	277.00	280.00	278.50	275.00
Mar	275.00	276.00	280.00	276.00
May	275.00	276.00	285.00	
Aug	276.00	276.00		
Oct	276.00	276.00		

Turnover: Raw 4423 (5896) lots of 50 tonnes. White 1345 (1441) .
Paris- White (FFr per tonne): Oct 1765, Dec 1755, Mar 1740, May 1745, Aug 1745 Oct 1750

GAS OIL $/tonne

	Close	Previous	High/Low	
Aug	136.50	137.50	139.00	135.00
Sep	136.75	137.75	138.00	135.75
Oct	138.50	139.50	139.25	137.50
Nov	139.75	140.75	139.75	138.50
Dec	140.25	141.25	140.50	139.00
Jan	139.25	141.00		

Turnover 4464 (10318) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	105.50	106.25	105.50	105.00
Nov	107.25	108.45	108.20	107.20
Jan	110.20	111.35	111.20	110.00
Mar	112.60	113.85	113.10	112.60
May	115.50	116.50	115.90	115.50

Barley	Close	Previous	High/Low	
Sep	100.60	101.30	100.60	100.30
Nov	103.50	104.30	103.70	103.30
Jan	106.50	107.05	106.55	106.25
Mar	108.60	109.15	108.65	108.35
May	110.60	111.15	110.60	110.50

Turnover: Wheat 438 (60) . Barley 201 (55) .
Turnover lots of 100 tonnes.

POTATOES £/tonne

	Close	Previous	High/Low
Nov	75.0	72.0	
Feb	87.0	86.0	

Turnover 456 (579) lots of 40 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 150 tonne
Cash	2640-50	2675-95	2650/2610	2610-5		
3 months	2545-75	2550-70		2530-60	2530-60	7,243 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 15,025 tonne
Cash	1470-5	1510-5		1490-5		
3 months	1405-8	1424-5	1420/1405	1416-20	1411-3	48,491 lots
Copper, Grade A (£ per tonne)						Ring turnover 53,875 tonne
Cash	1214-6	1251-3	1240/1238	1238-9		
3 months	1219-20	1256-7	1249/1220	1240-1	1226-7	64,150 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1170-80	1195-205		1190-200		
3 months	1170-80	1195-205		1190-200		38 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	679-82	678-81		684-7		
3 months	693-6	691-4		698-701	695-700	522 lots
Lead (£ per tonne)						Ring turnover 6,825 tonne
Cash	338-40	343-4	339/337	337-7.5		
3 months	343-4	346-6.5	346/342	343-3.5	342-3	12,057 lots
Nickel ($ per tonne)						Ring turnover 564 tonne
Cash	13950-4050	14400-600	14000	13950-4000		
3 months	13500-50	13900-50	13900/13500	13650-700	13400-50	6,502 lots
Zinc (£ per tonne)						Ring turnover 7,450 tonne
Cash	715-6	722-4	721/716	717-8		
3 months	705-6	712-3	707/705	705.5-6	704.5-6	22,812 lots

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Oct	168.00	158.50	168.00	163.30
Dec	173.50	162.50	172.50	
Feb	175.50	166.50		
Apr	175.50	167.00		

Turnover 165 (844) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Aug	1245	1245	1245	1244
Sep	1325		1328	1315
Oct	1413	1407	1415	1405
Jan	1445	1435	1445	
Apr	1473	1476	1476	1473
BFI	1196	1197		

Turnover 205 (197)

TEA

There were 24,882 packages on offer in this week's sale including 6,600 packages in the offshore section, reports the Tea Brokers Association. Improved but selective demand. Brighter liquoring teas were generally fully firm but medium East Africans proved very irregular. Plain descriptions and Central Africans were well supported at fully firm to dearer rates. Demand for Ceylons was selective with prices tending lower, particularly for light liquoring descriptions. In the offshore auction improved quality teas from Kenya and Zimbabwe were well supported at firm rates but plainer sorts were irregularly easier. Quotations: quality 149p (147p), medium 84p (90p), low medium 70p (68p).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	433½-434	253-253½
Opening	436¼-436¾	255-255½
Morning fix	436.4	254.877
Afternoon fix	434.6	253.485
Day's high	437-437½	
Day's low	433½-434	
Coins	**$ price**	**£ equivalent**
Mapleleaf	446½-451½	261-264
Britannia	446½-451½	261-264
US Eagle	446½-451½	261-264
Angel	447-452	261-263⅞
Krugerrand	432-435	252-254
New Sov.	102-103	59½-60¼
Old Sov.	102-103½	59½-60½
Noble Plat	541.25-7.55	316.3-320
Silver fix	**p/fine oz**	**US cts equiv**
Spot	401.20	686.25
3 months	412.20	700.80
6 months	423.25	715.75
12 months	445.35	746.75

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sept	Nov	Sept	Nov
2400		239		109
2550		163		180
2700		106		270
Aluminium (99.5%)	**Calls**		**Puts**	
2450	172		83	
2600	99		159	
2750	51		260	
Copper (Grade A)	**Calls**		**Puts**	
2000	147	174	43	98
2100	90	125	85	147
2200	50	87	144	207

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	434.4	436.1	437.2	432.7
Sep	437.1	438.8	0	0
Oct	440.0	441.7	443.0	438.0
Dec	445.6	447.3	448.6	443.7
Feb	451.3	453.0	452.0	451.3
Apr	457.1	458.8	0	0
Jun	463.0	464.7	461.5	461.5
Aug	469.1	470.8	0	0
Oct	475.2	476.9	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	533.1	528.8	535.0	527.0
Jan	539.9	535.6	541.0	534.0
Apr	547.0	542.9	0	0
Jul	554.5	550.4	550.0	550.0
Oct	562.0	557.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	686.7	680.7	0	0
Sep	691.5	685.5	694.5	683.0
Oct	696.8	690.8	0	0
Dec	707.2	701.1	710.5	698.0
Jan	712.4	706.2	0	0
Mar	722.9	716.6	725.0	716.0
May	733.4	726.8	729.5	725.0
Jul	744.7	737.9	748.0	740.0
Sep	755.9	749.0	749.0	749.0
Dec	773.0	766.1	769.0	765.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	90.20	93.00	0	0
Sep	90.45	93.00	92.55	89.90
Oct	89.55	0	0	0
Dec	87.75	89.50	89.30	87.50
Jan	86.85	88.60	0	0
Mar	85.05	86.60	86.00	85.50
May	84.30	85.50	86.25	85.00
Jul	83.70	84.50	84.50	84.00
Sep	83.10	83.50	84.00	83.25
Dec	82.45	82.50	85.00	83.05

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	16.11	16.31	16.25	16.10
Oct	16.24	16.44	16.40	16.24
Nov	16.34	16.55	16.50	16.34
Dec	16.45	16.64	16.57	16.45
Jan	16.50	16.69	16.61	16.53
Feb	16.50	16.74	16.62	16.50
Mar	16.65	16.78	16.68	16.60
Apr	16.64	16.81	16.64	16.64
May	16.67	16.84	16.67	16.67
Jun	16.72	16.87	16.72	16.72

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	4520	4510	4550	4470
Oct	4580	4569	4605	4540
Nov	4665	4642	4680	4635
Dec	4740	4698	4750	4710
Jan	4770	4728	4790	4770
Feb	4710	4687	4720	4705
Mar	4570	4537	4570	4530
May	4385	4362	4390	4385
Jun	4350	4312	4350	4350

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1467	1468	1480	1458
Dec	1475	1487	1490	1468
Mar	1489	1495	1500	1484
May	1510	1522	1515	1510
Jul	1540	1540	1541	1541
Sep	1570	1570	1575	1575
Dec	1601	1601	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	116.67	124.72	125.60	116.60
Dec	119.08	125.52	126.70	118.10
Mar	118.44	124.44	125.00	118.44
May	118.13	124.13	124.40	118.13
Jul	120.50	123.50	123.00	123.00
Sep	120.00	122.50	121.50	120.00
Dec	120.00	122.50	121.50	121.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	11.63	11.64	12.19	11.47
Jan	10.60	10.74	11.75	11.75
Mar	10.71	10.67	11.15	10.50
May	10.40	10.37	10.85	10.30
Jul	10.23	10.11	10.55	10.23
Oct	10.00	9.98	10.47	9.90

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	56.15	56.47	57.20	56.10
Dec	54.94	55.09	55.85	54.90
Mar	55.50	55.58	56.30	55.50
May	55.90	56.15	56.60	55.90
Jul	56.80	56.70	57.40	56.80
Oct	57.45	57.50	57.55	57.55
Dec	57.25	57.40	57.45	57.25

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	187.80	188.70	188.90	186.50
Nov	180.40	180.50	181.00	179.50
Jan	173.80	174.00	174.00	173.25
Mar	172.30	172.75	172.60	172.00
May	171.30	171.65	171.65	171.50

INDICES

REUTERS (Base: September 18 1931 = 100)

July 29	July 28	mnth ago	yr ago
1882.0	1887.7	2024.4	1620.7

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	131.00	130.25	139.70	127.98
Futures	134.61	133.23	142.66	126.84

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	839/0	776/0	860/0	831/0
Sep	823/4	778/4	823/4	823/4
Nov	832/4	787/4	832/4	832/4
Jan	837/0	792/0	837/0	837/0
Mar	839/4	794/4	839/4	839/4
May	840/0	795/0	840/0	840/0
Jul	837/0	792/0	837/0	837/0
Aug	813/0	768/0	813/0	813/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	27.52	25.83	27.75	27.40
Sep	27.58	26.08	27.58	27.58
Oct	27.85	26.35	27.85	27.85
Dec	28.20	26.70	28.20	28.20
Jan	28.35	26.85	28.35	28.35
Mar	28.45	26.95	28.45	28.35
May	28.40	26.90	28.40	28.40
Jul	28.20	26.70	28.20	28.20

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	261.2	243.0	263.0	256.0
Sep	250.7	240.7	250.7	250.7
Oct	248.7	238.7	248.7	248.7
Dec	247.7	237.7	247.7	247.7
Jan	246.5	236.5	246.5	246.5
Mar	244.5	234.5	244.5	244.5
May	243.2	233.2	243.2	243.2
Jul	243.0	233.0	243.0	243.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	290/0	275/0	290/0	290/0
Dec	298/6	283/6	298/6	298/6
Mar	304/6	289/6	304/6	304/6
May	306/2	291/2	306/2	306/2
Jul	305/2	290/2	305/2	305/2
Sep	295/4	280/4	295/4	290/0
Dec	281/4	267/6	282/6	272/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	381/0	368/2	384/0	380/0
Dec	392/2	380/4	396/0	392/0
Mar	395/4	382/0	396/4	393/0
May	377/0	363/0	381/0	377/0
Jul	353/4	345/0	356/0	353/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	66.17	66.82	66.97	66.10
Oct	68.30	69.10	69.25	68.07
Dec	70.65	71.60	71.35	70.40
Feb	71.30	72.20	71.90	70.70
Apr	72.95	73.20	73.40	71.80
Jun	72.70	73.05	73.10	71.55
Aug	70.60	70.85	71.00	70.50
Sep	71.00	71.00	0	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	45.30	43.87	45.37	44.40
Oct	39.87	39.32	40.35	39.30
Dec	42.12	41.20	42.70	41.30
Feb	45.12	43.87	45.37	44.80
Apr	44.60	43.10	44.60	44.35
Jul	50.10	48.60	50.10	49.60
Aug	49.25	47.80	48.30	0

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	32.52	30.52	32.82	31.40
Feb	53.80	52.02	54.02	52.60
Mar	53.60	51.60	53.60	52.30
May	54.90	52.90	54.90	54.00
Jul	54.37	52.37	54.37	53.80
Aug	51.90	51.02	53.02	51.90

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

GERMANY (continued)

ITALY

NETHERLANDS (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWEDEN (continued)

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

SINGAPORE

OVER-THE-COUNTER

Nasdaq national market, 2pm prices August 1

Continued from page 33

RochCS	.36	10	188	12½	12¼	12¼	StwStv s		9	1486	u19¼	18	19¼ + 1
RoseStr	.16a	11	16	8¾	8¾	8¾	Stwlf	.76	45	4	17	16½	16½
RoseB	.16a	10	15	9	8¾	8¾	Stratus		20	1510	25¼	24½	24½
Rospich		15	60	22	21⅞	22 + ⅝	StrwbCl	1.16b	9	112	34	33½	33½ − ½
RossStr		16	3258	9⅞	8⅝	9⅞ + ½	StrucDy		22	306	17	16¾	16⅞ − ⅛
Rouse	.52	94	189	22½	21¾	21¾ − ¾	Stryker		24	254	21¾	21¼	21¾ + ¾
Roylpr		24	71	3¾	3⅝	3⅝ − ⅛	StudL vt		136	66	74¾	74½	74¾ + ¼
RyanF		17	1954	5¾	5⅝	5⅝ − ⅛	Subaru			1261	6⅝	6½	6⅝ + ⅛
– S – S –							SuffFin	.10j		101	8⅞	8½	8⅝ − ¼
SCI Sys		16	180	13¼	13	13⅛	Sumgph		9	136	12⅞	12¼	12¼ − ½
SFI	.05e	16	20	18¾	18¾	18¾	Sumerp	.40	8	272	18¾	18	18½

US HMC	.16		1781	5⅛	4⅞	5 + ⅛	– X – Y – Z –						
US Trst	1.16	12	72	38¼	37¾	37¾ − ¼	XL Dt s		17	618	24¾	24¼	24½ + ¼
UStatn	.32	16	122	22	21	21	XOMA			505	14	13½	14 + ¼
UnTelev		40	41	30¾	30½	30½	X-Rite	.08	16	93	23¾	22¾	23¼ + ¾
UnivFr	.16	13	x285	17¼	16¾	17¼	Xicor		18	1984	10	9¾	10 + ⅜
UnvHlt		221	1035	6¾	6⅝	6⅝	Xidex			4703	9	8⅞	8⅞
UnvSvg	.40	14	46	23¼	23	23¼	Xylogic		5	654	6¾	6	6⅜ + ⅜
– V – V –							Xyvsn		4	304	7⅛	6⅞	7
V Band	1e	3	107	11¾	11	11¼ − ½	Ylowf s	.70	17	902	28⅜	27⅞	28¼ + ¼
VLSI		34	226	9⅜	9⅛	9¼ − ⅛	ZionUt	1.44		8	23¾	23	23¾ + ½
VM Sft		23	1306	16½	15¾	16 − ¼	Zondvn		50	1256	13⅞	13⅛	13½

TOKYO - Most Active Stocks

Monday 1 August 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	104.79m	764	-6
Mitsubishi Heavy Ind	93.55m	962	+7
Kawasaki Heavy Ind	69.10m	730	+10
Ishikawajima-Harima Heavy Ind	65.32m	1,140	+20
Toshiba	41.74m	1,170	-30
Keisei Electrical Railway	39.68m	1,950	+180
Hitachi	29.26m	2,010	-20
Fujikura	29.26m	1,280	-20
Matsushita Electric Ind	22.12m	3,050	uch
Mitsui Real Estate	20.52m	2,300	+90

INDICES

NEW YORK — DOW JONES

CANADA

NEW YORK ACTIVE STOCKS

◆ Subject to official recalculation

3pm prices August 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR s	.36	1.4	19	173	25½	25⅛	25½	+ ⅛
12⅛	6¾	ACMIn	n1.30a	11.		267	11⅝	11½	11⅝	
12⅛	10¾	ACMSc	n1.28	11.		493	11¼	11	11⅛	+ ⅛
10⅛	9	ACMSp n				319	9⅝	9⅛	9¼	– ⅛
27¾	10½	AGS			20	86	27	26¾	27	+ ¼
7⅞	2⅝	AMCA				15	4	4	4	
8⅛	3¼	AM Ind				4223	6¼	5⅞	6⅛	+ ¼
29⅝	17	AM Int pf	2	8.7		53	23	22⅝	23	+ ⅜
65½	26¾	AMR			10	2738	47¼	45¾	47¼	+1⅜
24¼	19	ANR pf	2.12	8.7		489	u24⅜	24⅛	24⅜	+ ⅛
11⅛	5⅛	ARX			11	16	8⅝	8½	8⅝	+ ⅛
72⅞	40	ASA	3	7.5		349	41⅝	40¼	40¼	–1⅜
22¼	9½	AVX	.06e	.3	12	356	19⅝	19	19⅛	– ⅛
66⅝	40	AbtLab	1.20	2.6	15	3579	46⅝	46	46⅝	+ ½
28	15¾	Abitibi g	1			116	17⅞	17⅝	17⅝	– ⅛
16⅝	8½	AcmeC	.40	3.7		35	10⅞	10⅝	10⅞	+ ⅛
10½	6⅝	AcmeE	.32b	4.6	22	5	7	7	7	
20	14⅛	AdaEx	3.05e	19.		83	16	15⅞	15⅞	
19¼	6⅞	AdamMl	.24	1.5	15	26	16¼	16¼	16¼	
24⅞	7½	AMD				2038	13⅝	13⅜	13⅜	
11⅞	4⅝	Adobe			12	26	7⅝	7½	7⅝	+ ⅛
20¼	16¼	Adob pf	1.84	10.		9	17⅞	17¾	17¾	– ⅛
12⅞	5⅞	Advest	.12	1.4	16	215	8⅝	8¼	8½	+ ⅛
64¼	39½	AetnLf	2.76	6.0	7	1953	46½	45	45⅝	+ ⅞
41¾	20½	AfilPb s	.20	.7	46	668	27⅛	27	27	
23¼	13	Ahmans	.88	5.4	10	828	16⅝	16¼	16⅜	
3⅞	1⅜	Aileen				176	3⅝	3½	3⅝	+ ⅛
53⅞	29	AirPrd	1.20	2.6	13	667	46⅝	46	46½	+ ⅛
28½	11⅛	AirbFrt	.60	3.5	23	39	17⅝	17⅛	17⅜	+ ⅛
16½	6⅛	Airgas			20	80	16	15⅞	16	+ ⅛
20	13½	Airlease	2.30	12.	10	10	19⅛	19⅛	19⅛	+ ⅛
27⅛	24½	AlaP	pf2.09e	8.1		8	25⅝	25⅛	25⅛	– ⅛
9⅞	7⅝	AlaP	dpf.87	9.6		1	9⅛	9⅛	9⅛	– ⅛
101	86½	AlaP pf	9.44	9.9		z40	95¼	95¼	95¼	+1⅜
86½	77	AlaP pf	8.28	10.		z650	83¼	82½	82½	–1½
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Continued on Page 33

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NYSE COMPOSITE PRICES

Continued from previous Page

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Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices August 1

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OVER-THE-COUNTER

Nasdaq national market, 3pm prices August 1

[illegible]

Continued on Page 31

FINANCIAL TIMES Tuesday August 2 1988

AMERICA

Dow subdued pending release of US figures

Wall Street

MOVEMENTS in stock and bond markets were subdued yesterday, in a week which sees the announcement of details of the Treasury's quarterly refunding and the latest unemployment figures, *writes Janet Bush in New York*.

Both markets ended last week on a rising note but that did not appear to prompt further buying yesterday morning.

At 2pm, the Dow Jones Industrial Average was unchanged from Friday's close, quoted at 2,128.73. The gain of around 68 points last week, concentrated in the last two days, simply reversed the decline of 68 points the week before. Last Friday, the Dow closed at 2,128.73, little changed from the close on July 15 at 2,129.45.

Trading in US bonds was quiet yesterday and movements limited. Bonds stood up to ⅜ point higher at midsession yesterday and the Treasury's benchmark long bond was quoted 11/32 point higher for a yield of 9.17 per cent.

The only economic news yesterday was a report by US purchasing managers which showed that the economy continued to expand strongly in July. Mr Robert Bretz, chairman of the group's business survey committee, said: "The vigorous increase in new orders, undoubtedly fuelled by the surge in export orders, is impressive and signals continued robust economic growth for the balance of the third quarter."

The report had little impact on bonds or equities.

Friday's unemployment figures are for July and are expected to show an unchanged unemployment rate of 5.3 per cent and a rise of 250,000 to 275,000 in the non-farm payroll. The average monthly rise in the non-farm payroll over the past six months has been 308,000 and there was a rise of 346,000 in June.

Another economic release is today's report of leading indicators for June, which is expected to jump by between 1 per cent and 2 per cent.

After that the highlight for the bond market will be the announcement tomorrow by the Treasury of details of its latest quarterly refunding.

Congress is still working on legislation which would authorise further issuance of the long bond and there is a widespread belief that a 30-year issue will not be included in the refunding.

Among featured stocks yesterday was NCNB – the North Carolina National Bank – which rose $1⅛ to $24⅛. NCNB has agreed to take over the main operations of First Republicbank of Dallas in the biggest bank bail-out in US history. The Federal Deposit Insurance Corporation is putting up about $4bn.

On the American Stock Exchange, Health Management Associates jumped $1⅜ to $14⅝ after news that the company had approved a $14.75 a share takeover from a management group.

Gillette dropped $2⅜ to $37⅞. The company said it had settled a suit relating to the recent proxy fight for four seats on the board by Coniston Partners. The settlement includes a three-year standstill agreement with Coniston. Analysts said yesterday that Gillette does not look like a candidate for takeover because it is highly leveraged.

McGraw-Hill continued to climb on speculation that it is the target of a possible takeover. The latest of many rumours surrounding the company centres on Pearson, owner of the Financial Times, as a possible purchaser. McGraw-Hill's share price jumped another $2⅜ to $67⅝ at midsession yesterday.

Perkin-Elmer rose $1¼ to $24⅞. The company has agreed to sell its 82 per cent stake in Concurrent Computer to Massachusetts Computer in a $20 a share takeover. Sun Microsystems added $1⅛ to $37⅜ in over-the-counter trading on expectations of strong earnings.

SOUTH AFRICA

A WEAKER financial rand countered selling pressure and left shares little changed in Johannesburg. Gold shares were marginally firmer on a steady bullion price, but industrials ended mixed to easier.

EUROPE

Broad gains produce new highs in very thin volume

VOLUMES remained low around most of Europe yesterday as the holiday season continued to take its toll on trading. But most bourses gained ground, helped by the strength of the dollar and the rise on Friday on Wall Street, *writes Our Markets Staff*. Zurich was closed for a holiday.

PARIS relied on speculative activity to keep it ticking over as the traditional August holiday began officially.

Shares closed higher as speculation surrounded luxury goods group LVMH and privatised issues, but volumes were woefully thin, estimated at about Friday's FFr700m level.

LVMH added FFr25 to FFr2,785 after news that shareholder Financière Agache had lifted its joint stake – held with Britain's Guinness – to over 27 per cent. Agache was said to be organising a private placing of shares in its Christian Dior fashion company to help finance the LVMH deal.

Privatised issues gained from the possibility of changes to hard core shareholdings, and Société Générale rose FFr11 to FFr362.

Household goods manufacturer Radiotechnique climbed FFr13 to FFr784, helped, according to one analyst, by the EC Commission decision last week to restrict the import to France of Japanese televisions assembled in other EC countries.

The opening CAC General index was up 3.6 at 357.9 and the OMF 50 rose 1.59 to 356.94.

MILAN had a lively day, with both foreign and domestic investors taking further encouragement from the Montedison-Enichem joint venture and government moves to

London

INTERNATIONAL stocks gained ground in response to Wall Street's strength on Friday, but saw some downward pressure at New York's subdued opening yesterday.

Amersham International jumped on continued bid speculation, as did several consumer stocks. In chemicals, Glaxo and ICI were both sought, in spite of the firmer pound. The FT-SE 100 index rose 8.6 to 1,862.2 on turnover of 381.7m shares.

tackle the budget deficit.

Volume was said to be as good as, or better than, the L180bn traded on Friday, when domestic investors made a showing after several weeks of market domination by foreign buyers. The Comit index rose 10.74 to 538.89.

Montedison, where the long-awaited chemicals agreement with state-owned Enichem was announced on Friday, gained a

The market profiles series continues tomorrow with a look at Dublin

further L60, or 3 per cent, to L1,918.

The weekend increase in value added tax and other measures to tackle the budget deficit were also seen positively.

Foreign institutions continue to increase their weightings in Italy from previously low levels. According to a survey of UK institutions carried out by Citicorp Scrimgeour Vickers at the end of March, the average Italian weighting in non-UK European portfolios was only 4 to 5 per cent, when a full index weighting would have required 12 to 14 per cent. "People have been reassessing that sort of attitude and have decided they should be drifting back into the market," said analyst Mr Stephen Swift.

The focus was on blue chips, with Fiat up L45 at L9,815, and Generali still popular, with a L1,500 rise to L90,500, reaching L90,600 after hours.

The De Benedetti group stocks, which have moved little in recent weeks, began to catch up, with Olivetti putting on L180 to L10,290 before rising to L10,400 later, and holding company Cir up L55 at L5,685, hitting L5,720 after hours.

FRANKFURT had another deadly quiet day, with a few shares moving quite sharply on one or two orders. The only influences seemed to be Wall Street's strength on Friday and yesterday's gains in Tokyo, although the firm dollar lifted some cars and chemicals.

The FAZ index was 4.4 higher at 490.38 at midsession, while the DAX real-time index closed 8.17 better at 1,189.89. Volume was a very thin DM1.99bn worth of West German shares nationally.

Deutsche Bank, whose results are due today and are expected to be better than those of the other two leading banks, gained DM8.50 to DM485. In electricals, Nixdorf rose DM9.20 to DM496.20.

Bonds were slightly firmer, with the yield on the 6½ per cent 1998 federal bond at 6.80 per cent after 6.81 per cent.

MADRID moved higher in thin volumes, with the absence of fresh news curtailing activity. The general index added 2.91 to 295.77, inspired somewhat by Wall Street's rise.

Utilities saw the strongest gains, helped by the fact that many are oversold, one analyst said. But banks, which make up 46 per cent of the index, moved marginally higher, restricting the whole market. Volume was estimated at about the same as Friday's Pta 7.5bn.

AMSTERDAM followed the dollar upwards, reaching a high for the year, albeit in low volumes.

The CBS all share index added 0.8 to 98.5 and turnover reached Fl 313m against Fl 343m on Friday. The dollar rose to Fl 2.11875 from Fl 2.10850.

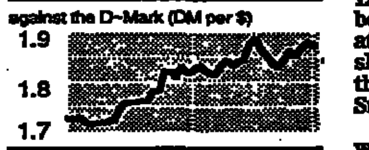
Akzo put on Fl 1.50 to Fl 145.50 pending the release of its interim results on Thursday. Royal Dutch climbed Fl 4.40 to Fl 244.50 on a reappraisal of its earnings potential.

Foods group Wessanen, reporting the purchase for an undisclosed sum of two US specialist food distributing companies, closed 20 cents higher at Fl 78.50, after rising 50 cents.

HELSINKI rose to an all-time high after a day of moderate trading. The Unitas all-share index ended up 2.3 at 763.3, beating the previous best of 762.0 set on July 22.

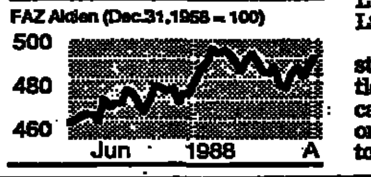
Dollar

against the D-Mark (DM per $)



W.German

FAZ Aktien (Dec.31,1958 = 100)



ASIA PACIFIC

Late selling leaves Nikkei short of record

Tokyo

DEMAND for large-capital stocks and high-technology issues gathered momentum in Tokyo yesterday, with share prices touching a new high before losing ground towards the close.

The Nikkei average ended 126.37 higher at 28,326.31 after moving between a record high of 28,409.17 and a low of 28,234.46. The previous peak of 28,342 was reached on June 17.

Volume totalled 928m shares compared with Friday's 1.1bn and advances led declines by 491 to 356, with 178 issues unchanged.

In London, Japanese shares edged down, with the ISE/Nikkei 50 index off 2.05 at 1,901.91.

In Tokyo, the session started strongly with dealers and individuals actively seeking large-capital stocks, high-technology issues, carmakers and financials.

The Tokyo Stock Exchange index of all stocks listed in the first section reached a new high at one stage, fuelling concern over tighter margin trading controls by the exchange. This led in turn to profit-taking and many issues which were popular in the morning lost strength towards the close.

Large-capital stocks performed strongly in early trading. Nippon Steel topped the active list with 104.8m shares changing hands. The issue rose Y12 to Y784 at one stage, but came under profit-taking pressure to end Y8 lower at Y764.

Nippon Kokan and Kawasaki Steel, which opened higher, closed Y15 and Y13 lower at Y665 and Y675 respectively.

Only Kawasaki Heavy Industries and Ishikawajima-Harima Heavy Industries remained steady, finishing Y10 and Y20 higher at Y730 and Y1,140 respectively.

High-technology stocks fell back at the close. Toshiba shed Y30 to Y1,170, Hitachi Y20 to Y2,010 and Mitsubishi Electric Y15 to Y980.

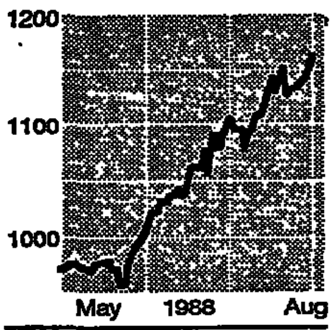
High-priced high-technology issues weakened, with Fujitsu falling Y10 to 1,790, Sony Y40 to Y7,050, TDK Y30 to Y5,400 and Fanuc Y110 to Y6,890.

Carmakers turned down in late trading. Toyota Motor declined Y20 to Y2,980 and Mazda Y5 to Y709.

As giant-capitals and high-technology stocks – which had led market activity since June – eased, buying interest shifted to lagging domestic demand-related stocks, such as property and constructions.

Singapore

Straits Times Ind.



Mitsui Real Estate surged Y90 to Y2,300, Tokyu Land Y51 to Y1,030 and Mitsubishi Estate Y50 to Y2,500. Daiwa House ended Y90 higher at Y2,000.

Speculative issue Keisei Electric Railway finished Y180 higher at Y1,950.

The bond market got off to a strong start supported by the firmness of the bond futures market, but lost its early gains in late trading.

The Bank of Japan bought Y300bn worth of two-month discount bills on the money market, but this had little impact on short-term money rates.

The cash market turned easier as the September contract declined on the futures market towards the close. The yield on the benchmark 5.0 per cent government bond, maturing in December 1997, dipped to 4.880 per cent briefly, but ended at 4.915 per cent, unchanged from the previous week's close.

Prices on the Osaka Securities Exchange rose further amid some late concern about precariously high prices, and the OSE stock average ended 53.49 points higher at 27,583.91. Volume was estimated at 96.31m shares, up 9.4m from Friday.

Leading spindle and machine manufacturer Nihon Spindle jumped Y90 to Y1,000 and Kinki Nippon Railway rose Y40 to Y1,130. Torishima Pump dropped Y70 to Y1,300.

Roundup

RISES in Tokyo yesterday and on Wall Street on Friday helped boost Asia Pacific markets.

SINGAPORE was driven higher by bargain-hunting to reach a new post-crash high, with the Straits Times industrial index rising 21.21 to 1,162.20.

Turnover rose to 66.9m shares from 65m on Friday, with trading boosted also by previous gains in New York, a strong Tokyo and good corporate results. The session was extended by an hour because of a breakdown in the new computerised trading system.

TAIWAN saw its heaviest trading ever as speculators sold for profit after share prices reached a record high on Saturday. The weighted index lost 32.17 to 6,215.85, with 466m shares traded, worth Taiwan $49.8bn ($1.74bn). Turnover was double Friday's T$24bn worth of shares.

AUSTRALIA was cheered by firmer bullion prices and equity gains in other markets and closed higher in light trading, with many institutions absent for a bank holiday.

The All Ordinaries index was 12.9 points higher at 1,624.6.

Among golds, Sons of Gwalia found 20 cents to A$7 and Kidston 12 cents to A$3.92.

HONG KONG finished stronger, although profit-taking cut into the day's gains, and the Hang Seng index added 24.50 to 2,703.42, having been up 37 points in early trading.

Properties led the way higher, with Jardine Matheson up 50 cents at HK$13.70.

New indices on emerging markets

THE WORLD'S emerging stock markets are attracting growing interest but have not been easy to track and compare in the past because local indices are calculated in different ways, *writes Alison Maitland*.

The Washington-based International Finance Corporation, an affiliate of the World Bank, is now producing comparable monthly indices on eight emerging markets and two regions, Latin America and Asia, which we publish below for the first time today.

These indices, showing price changes in US dollar and local currency terms as well as total returns in dollars, will be published on this page each month, enabling readers to monitor developments in a consistent way.

Many of these markets – for example, South Korea and Taiwan – are not yet open to direct portfolio investment by foreigners, but special-country funds are increasingly being set up to channel outside capital into developing countries and the trend in most cases is to reduce restrictions.

The IFC indices are weighted according to market capitalisation, so they cover a representative sample of the larger and more actively traded stocks in each country. Some of the shares covered are not freely available to foreign investors, although the restrictions that apply to individuals are often waived for specialised country funds.

From time to time, stocks may be dropped from or added to the list, and more countries may be included.

The price indices show changes in prices, adjusted for stock splits and other alterations to capitalisation that affect price per share.

The total return indices accommodate the same changes, as well as cash dividends and gains implicit in rights issues that are made below prevailing market prices. Such rights issues are a common way for developing countries to reward shareholders – the instant capital gains are often tax-free, while cash dividends are usually taxable.

The data published today refer to June. It usually takes about a month for the indices to be calculated to include all the relevant changes in capitalisation.

IFC EMERGING MARKETS INDICES

MARKET	Price: June '88 (Dollar terms)	Price: % Change on May (Dollar terms)	Price: % Change on Dec 31,'87 (Dollar terms)	Price: June '88 (Local currency terms)	Price: % Change on May (Local currency terms)	Price: % Change on Dec 31 '87 (Local currency terms)	Total return: June '88 (Dollar terms)	Total return: % Change on May (Dollar terms)	Total return: % Change on Dec 31 '87 (Dollar terms)
Latin America (110†)	139.4	-2.8	61.4	-	-	-	174.6	-2.4	69.1
Argentina (24)	173.6	-5.5	27.1	8,053.1	13.0	204.0	188.5	-2.7	32.9
Brazil (30)	85.6	-11.6	89.5	5,096.3	7.0	418.2	110.0	-11.5	100.8
Chile (25)	422.8	20.8	13.0	805.2	20.9	19.8	618.4	21.0	21.9
Mexico (31)	316.7	-1.2	80.9	3,717.4	-1.2	86.7	399.9	-1.0	85.3
Asia (124)	268.0	5.7	62.6	-	-	-	322.5	5.9	66.6
Korea (42)	349.5	-0.5	42.4	307.9	-1.1	30.5	545.0	0.2	49.2
Malaysia (40)	115.0	12.0	29.0	123.8	13.0	35.3	129.4	12.0	32.1
Taiwan (32)	656.9	7.5	93.8	479.9	8.6	98.1	714.6	7.5	95.9
Thailand (10)	254.9	6.1	52.8	237.7	6.8	53.5	401.7	6.1	58.6

Source: International Finance Corporation. Base date: Dec 31, 1984. † Figures in parentheses show number of stocks

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY JULY 29 1988: US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	THURSDAY JULY 28 1988: US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX: 1988 High	1988 Low	Year ago (approx)
Australia (89)	146.82	+0.3	127.26	121.53	3.67	146.39	125.96	120.64	150.71	91.16	149.46
Austria (16)	85.89	–0.3	74.44	83.46	2.49	86.14	74.12	83.15	98.18	83.72	99.07
Belgium (63)	113.50	–0.4	98.38	110.84	4.55	114.01	98.10	110.49	139.89	99.14	128.57
Canada (129)	124.50	+0.7	107.91	109.13	3.07	123.63	106.38	108.23	128.91	107.06	138.74
Denmark (39)	128.21	+0.3	111.12	123.94	2.34	127.78	109.95	122.83	132.72	111.42	114.98
Finland (26)	130.53	+0.6	113.14	120.83	1.42	129.69	111.59	119.27	139.53	106.78	–
France (129)	92.60	+0.8	80.26	91.76	3.53	91.90	79.08	90.64	99.62	72.77	108.39
West Germany (100)	74.59	+0.4	64.65	72.71	2.54	74.29	63.92	72.01	80.79	67.78	100.40
Hong Kong (46)	108.95	+0.7	94.44	109.19	4.20	108.17	93.08	108.45	111.86	84.90	139.51
Ireland (18)	137.01	–0.9	118.75	134.11	3.55	138.22	118.94	134.83	144.25	104.60	140.43
Italy (102)	72.63	+0.4	62.95	74.96	2.68	72.34	62.25	74.39	81.74	62.99	96.19
Japan (456)	167.32	+0.9	145.02	140.72	0.51	165.77	142.64	138.68	177.27	133.61	134.85
Malaysia (36)	151.12	–0.1	130.99	153.39	2.39	151.29	130.18	153.30	153.47	107.83	186.18
Mexico (13)	153.83	–2.3	133.33	384.82	1.41	157.48	135.50	393.94	180.07	90.07	304.07
Netherland (38)	105.48	+0.7	91.43	101.87	4.54	104.70	90.09	100.49	110.66	95.23	127.44
New Zealand (21)	79.51	–1.5	68.92	63.36	5.97	80.70	69.44	63.90	84.05	64.42	107.61
Norway (25)	120.96	–0.8	104.85	111.36	2.71	121.99	104.96	111.60	132.23	98.55	155.95
Singapore (26)	131.12	+0.7	113.65	123.36	2.11	130.25	112.08	122.24	132.44	97.99	164.97
South Africa (60)	120.06	–0.5	104.06	90.96	4.71	120.65	103.82	91.74	139.07	118.10	188.80
Spain (43)	146.81	–0.1	127.25	136.86	3.30	146.92	126.42	136.40	164.47	130.73	141.71
Sweden (35)	118.26	–0.2	102.50	112.22	2.54	118.54	102.00	111.83	125.50	96.92	121.24
Switzerland (55)	77.29	–0.4	66.99	74.82	2.29	77.56	66.74	74.56	86.75	75.60	104.91
United Kingdom (325)	132.38	–0.1	114.74	114.74	4.38	132.57	114.07	114.07	141.18	123.09	153.90
USA (582)	110.76	+2.1	96.00	110.76	3.55	108.49	93.36	108.49	112.47	99.19	129.85
Europe (1014)	105.32	+0.1	91.28	97.46	3.72	105.22	90.53	96.76	110.82	97.01	125.94
Pacific Basin (674)	164.19	+0.9	142.31	138.60	0.70	162.72	140.02	136.66	172.26	130.81	135.50
Euro-Pacific (1688)	140.65	+0.7	121.90	122.22	1.62	139.73	120.23	120.77	147.53	120.36	131.73
North America (711)	111.48	+2.0	96.63	110.67	3.52	109.30	94.05	108.50	113.29	99.78	130.33
Europe Ex. UK (689)	88.53	+0.3	76.73	86.73	3.13	88.25	75.94	86.00	92.99	80.27	108.59
Pacific Ex. Japan (218)	126.50	+0.3	109.64	112.03	3.84	126.09	108.50	111.34	128.25	87.51	143.41
World Ex. US (1890)	139.90	+0.6	121.25	121.59	1.69	139.00	119.60	120.18	146.49	120.26	132.70
World Ex. UK (2147)	128.24	+1.2	111.15	118.13	2.08	126.68	109.00	116.31	131.77	111.77	129.37
World Ex. So. Af. (2412)	128.65	+1.1	111.50	117.98	2.28	127.22	109.47	116.26	132.39	113.26	131.18
World Ex. Japan (2016)	110.03	+1.2	95.37	106.11	3.61	108.69	93.52	104.57	112.43	100.00	130.00
The World Index (2472)	128.59	+1.1	111.46	117.80	2.29	127.19	109.44	116.09	132.38	113.37	131.55

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

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Latest prices were unavailable for this edition.